Austria	Sch 18	Indonesia	Rp 2700	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	L£ 8.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rin 4.75	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 710
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,624 — Wednesday May 15 1985 — D 8523 B

Italy: vote gives Craxi unusual opportunity, Page 2

World news — Business summary

Sri Lanka crisis talks as Tamils kill 86

Sri Lanka's Cabinet held an emergency meeting on the crisis arising from the death of at least 86 civilians when Tamil guerrillas took their separatist campaign into the city of Anuradhapura.

It was the first assault by the rebels on a predominantly Sinhalese area. *Five Buddhist nuns, 25 other* women and six children were among those who died when guerrillas *disguised as soldiers* sprayed gunfire into crowded streets.

There was speculation that the attack might have been in retaliation for the alleged killing of many Tamil civilians by the security forces. **Page 4**

Kyprianou under fire

Greek Cypriot opposition politicians are stepping up their campaign to force President Spiros Kyprianou to resign, *blaming him* for continuing deadlock in the Cyprus problem.

China stops warship

A visit to Shanghai by a U.S. warship has been postponed because of controversy over whether it would be nuclear-armed or powered. U.S. officials denied the visit had been cancelled. **Page 4**

Walesa death threat

Solidarity leader Lech Walesa said *he took seriously a threat to his life* disclosed by a convicted murderer who claimed he was recruited to kill him.

Israeli elections

Israel's Labour Party emerged considerably strengthened from elections for the Histadrut trade union federation which may encourage the party *to dissolve the national* unity Government and hold general elections. **Page 4**

Lagos aliens held

Nigerian security forces escorted several thousand illegal aliens to Lagos from the Nigerian-Benin border *after* riot police opened fire on aliens attempting to flee into Benin.

Botswana blast

Gaborone, capital of Botswana, was rocked by a huge blast, believed to be a bomb, that killed a South African political refugee.

Libya connection

British businessman Godfrey Shiner was charged in a London court with helping a relative of Libyan leader Col Muammer Gadaffi flee the UK to evade a drugs trial. Shiner was arrested on arrival from Egypt which deported him for allegedly plotting to kill one of Gadaffi's most prominent opponents.

Pacific bombs

Four bombs exploded in New Caledonia and police said more security squads might be called in to quell rising violence in France's troubled Pacific territory.

Sikh dies in custody

A key suspect in the Sikh extremist bombing offensive died in police custody in New Delhi, leading to charges in the Indian press that he was tortured.

Giscard wins ban

A Paris court ruled that passages concerning *former* French President Valery Giscard d'Estaing's private life in memoirs by deposed Central African emperor Jean-Bedel Bokassa should be deleted.

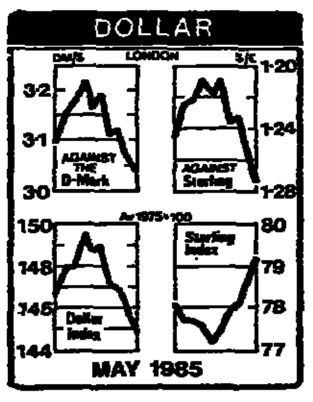
Philadelphia fire

Three bullet-riddled bodies were recovered after police in Philadelphia bombed the headquarters of an armed black cult, causing a fire that destroyed 60 houses, left 240 people homeless and caused $5m worth of damage.

Stockholm share prices fall again

STOCKHOLM share prices continued to fall as Swedish financial markets tried to come to terms with the dramatic tightening of monetary policy. The J&P index closed at 1,408.94, down 15.81. **Page 3 and 31**

WALL STREET: The Down Jones *industrial average closed down 4.20* at 1,273.30. **Section III**



DOLLAR closed lower in London, falling to DM 3.0425 (DM 3.0725), SwFr 2.565 (SwFr 2.5825), FFr 9.3 (FFr 9.37) and Y249.55 (Y251.3). On Bank of England figures the dollar's index fell to 144.9 from 145.9. **Page 41**

STERLING benefited from the dollar's weakness in London, rising 1.95 cents to $1.2735. It was also higher at DM 3.8775 (DM 3.8525), SwFr 3.265 (SwFr 3.24), FFr 11.835 (FFr 11.74) and Y318.0 (Y315.0). The pound's exchange rate index rose to 79.2 from 78.8. **Page 41**

GOLD rose $4.75 on the London bullion market to finish at $327.00. It was also higher in Zurich at $327.25. In New York the Comex June settlement was $325.80. **Page 40**

LONDON equities and gilts surrendered early gains to finish easier. *The FT Ordinary index dropped 4.6* to 1,012.3. **Section III**

TOKYO: Profit-taking eroded initial firmness and the Nikkei-Dow market average shed 37.33 to 12,504.20. **Section III**

FRENCH monetary authorities announced the reform of the mortgage market, which will involve setting up a new financial agency to issue long-term bonds to finance mortgages. **Page 3**

U.S. RETAIL sales in April rose 0.9 per cent over the level of the previous month, the Department of Commerce said.

PHILIPS, Dutch electronics group, *is to end the manufacture of washing* machines and dryers in Britain. **Page 10**

BRITISH TELECOM, which is acquiring Mitel of Canada, has been told by the Ottawa Government it must comply with conditions imposed on the telecommunications equipment maker as part of government assistance programmes. **Page 24**

AEG-TELEFUNKEN, West German electrical group, expects operating profits this year to exceed the DM 100m ($32.6m) of 1984 and also foresees a marked cut in financial liabilities. **Page 23**

MORGAN STANLEY, U.S. bank, said a consortium bid for Conrail, the government-owned railway, would save the Administration $600m in tax compared with a bid at the same price from Norfolk Southern, another rail group. **Page 23**

WARNER Communications and American Express plan to sell their loss-making joint cable TV venture and *say several potential buyers* have been identified.

MAKINO Milling Machine, Japanese *machine tool manufacturer,* lifted pre-tax profits 21.9 per cent to Y6.97bn ($27.7m), helped by the U.S. *economic recovery.* **Page 25**

UNIT TRUST: The first stage in an expansion *of FT coverage of* offshore and money funds appears in today's issue. The second and third stages *will be* included *tomorrow* and on Friday.

Paris may harden line over joint European fighter

BY DAVID MARSH IN PARIS

THE FRENCH Government is coming under increasing pressure from its aerospace industry to harden its line with Britain over development of the joint European fighter aircraft *(EFA) for the 1990s.*

Divergencies among the five nations discussing the project have *heightened* the possibility that France could decide to build its own fighter. A crucial meeting of defence ministers from France, Britain, West Germany, Spain and Italy is due to discuss the problem in Rome tomorrow.

The French Defence Ministry has been a strong supporter of the project, which would represent one of Europe's most important efforts to join forces in defence and high technology.

Government officials in Paris last night said they hoped the Rome meeting would give fresh "political impulse" to discussions which have shown signs of stalling in recent months.

They envisaged, however, that France's suggestion that the Eurofighter's weight should be 9.5 tonnes represented a "maximum," both for military reasons and to keep down costs. Britain's leanings towards a heavier aircraft still represented a point of "divergence." Furthermore, officials now say that the prototype fighter Rafale – just unveiled by state-controlled Dassault-Breguet – should be a "reference basis" for the EFA.

French industrialists in recent weeks have hardened public pro*nouncements over the fighter* partly to keep open options for export markets and also to avoid sharing technology in key areas with European partners.

M Jacques Benichou, chairman of the state-owned engine maker Snecma, last night launched a renewed call for a dominant role in making the EFA's engine. France is pushing to use the company's M-88 engine, while Britain favours a derivative of the Rolls-Royce-led RB-*199 developed for the three-nation* Tornado aircraft.

M Benichou, who said he had already *had talks with Rolls-Royce* over the project, said he was not against co-operating with the British company provided Snecma had leadership and did not lose its capacity to design new engines.

He was speaking at a press confrence giving Snecma's financial results for 1984. Consolidated profits rose to an estimated FFr 70m ($7.52m) from rough break-even last year on turnover of FFr 12.6bn.

Similar calls have been made in recent days by leaders of the French avionics and defence electronics industries, whose products can represent up to 50 per cent of the cost of a new fighter.

Dassault Breguet, manufacturer of France's Mirage jets, is also sticking uncompromisingly to its in*sistence on design leadership for* the EFA. Significantly, M Benno-Claude Vallieres its doughty 74-year-old chairman, who has put forward this view strongly in recent months, was yesterday given a new mandate to stay until October 1986.

A key factor arguing against a go-it-alone solution is the FFr 35bn cost of building a French jet force from its own resources. Government offficals believe collaboration could cut unit costs by, perhaps, 20 per cent.

However, backing the industrialist's view that France has a lead in key technological areas of the fighter, officials said last night that development of Rafale needed to be continued as an insurance against lack of overall European agreement on the project.

BASF world ink leader after $1bn U.S. deal

BY TERRY DODSWORTH IN NEW YORK

BASF, the large West German chemicals group, is to expand its activities in the U.S. by more than 40 per cent with the acquisition of United Technologies' Inmont group of industrial companies for $1bn.

The definitive cash deal, announced yesterday, will give the West German company a number of businesses mainly concentrated in motor vehicle coatings and ink production. On a worldwide basis it *will make BASF the largest global* supplier of printing ink, while in the U.S. it will take over United Technologies' (UT) dominant position in the market.

In the motor vehicle paint and finishing sector, where UT claims to be the second largest U.S. company, the agreement will also consolidate BASF's international position.

The West German group already has a leading role in Europe through its Glasurit division, and only three years ago it acquired another U.S. concern, Cook Industrial Coatings, in the same field.

UT refused to say yesterday how much Inmont earned last year, but it confirmed that the division's sales were $1bn. That compared with BASF's revenues in the U.S. last year of $2.4bn, about 17 per cent of its consolidated turnover of $14.2bn (DM 40.4bn).

BASF's other activities in the U.S. include synthetic fibres and chemicals, magnetic recording products and flavours and fragrances.

Wall Street reacted cautiously to the announcement yesterday in the absence of any indication of where UT chose to spend the cash, which it expects to receive in the third quarter of this year.

Although the price UT is receiving for Inmont appears to be generous, given UT's average net return on sales of $3.7 per cent in the last few years, there has been considerable uncertainty about the future of the group recently because of the *anticipated retirement of its* controversial chairman, Mr Harry Gray.

Immediately after the joint statement from the two companies, UT's share price fell $¾ to $39½.

Inmont formed the largest sector of UT's industrial division, the fourth largest grouping of companies within the company, which claims that "high technology is the common denominator of all we do."

Continued on Page 22

Montedison cuts losses, Page 23

Maryland asks for federal aid

BY PAUL TAYLOR IN NEW YORK

MARYLAND'S Governor yesterday formally requested assistance from the Federal Home Loan Bank Board (FHLBB) as problems among the state's privately insured savings banks showed signs of spreading.

Mr Edwin Gray, director of the FHLBB, confirmed in congressional testimony yesterday that Gov Harry Hughes called him early yesterday to ask for assistance. Gov Hughes specifically asked the federal regulatory agency to help to *evaluate Maryland's 102 privately* insured savings banks to determine whether they are eligible for federal deposit insurance coverage.

Mr Gray added that "about half a dozen" privately insured Maryland savings banks had already applied for federal insurance coverage under the Federal Savings and Loan Insurance Corporation (FSLIC).

Earlier Gov Hughes said he had asked for about 300 Federal bank examiners to come to Maryland in *an effort to help troubled banks* improve their financial condition in order to qualify for federal insurance. He maintained, however, that the problems were isolated and urged local depositors to remain *calm.*

The latest moves appear to represent *a recognition that it may be* necessary to acquire federal insurance in order to restore public confidence in the beleaguered privately insured savings banks. Similar steps proved necessary in Ohio earlier this year in order to contain that state's privately insured savings bank crisis.

Reflecting this sentiment, Sen Jake Garn, chairman of the banking committee, noted yesterday, "it appears to me that state insurance *funds are on the way out.*"

Among other developments in Maryland:

- A second troubled savings bank, Merritt Commercial Savings and Loan was placed at its own request under the protection of a conservator – a temporary caretaker whose main job is to protect the assets of a financial institution.

*The move follows the appoint*ment of the Maryland Savings Share Insurance Corporation, the *local private insurance fund, as con*servator for Old Court Savings and Loan, the Baltimore-based institu*tion at the centre of the emerging* savings bank crisis.

- State senator Howard Denis, *chairman of Maryland's Task Force* on Savings Institutions, called for "immediate contingency plans" for a special session of the state's general assembly to address the problems.

In a separate development, Chemical Bank, the New York-based banking group that has agreed to acquire the failed Home State Savings Bank of Cincinnati, warned that it could pull out of the rescue deal unless state legislators increase the level of state financing available to help to fund the acquisi*tion and change other aspects of a* planned local banking bill.

Ohio's legislature has tentatively approved legislation which would provide $91m in state funds to help Chemical acquire Home State. Chemical, however, is insisting that the state provide $125m in "up-front funding" including a contingency reserve of $26m which would be refunded if not required.

Chemical is also unhappy with other aspects of the draft legisla*tion, particularly a section which* would impose a two-year moratorium on any out-of-state bank acquiring an Ohio commercial banking licence.

State legislators are due to meet this week to thrash out a final version of the Bill.

Egypt sees chance of progress in talks with Israel

By Tony Walker in Cairo

EGYPT'S Foreign Minister is pre*dicting* a possible "major breakthrough" in talks beginning in Cairo today between Egyptian and Israeli officials on a territorial dispute in the Sinai that has helped sour relations.

Dr Esmat Abdel Meguid, in an interview with the Financial Times, said that if progress was made in resolving differences over Taba, a tiny beach resort on the Gulf of Aqaba, the way would be open for a summit meeting between Egypt's *President Hosni Mubarak* and Mr Shimon Peres, Israel's Premier.

Egypt wants the Taba dispute referred to arbitration by a third party, preferably the U.S. Dr Meguid revealed that a senior U.S. State Department official would be taking part in "tripartite" discussions on the Taba issue.

He said progress on settling the question of Taba, the most contentious parcel of disputed land left unresolved after Israel's withdrawal *from Sinai in April 1982, would* be "a major breakthrough in relations. It would open the road for the summit between the President and Mr Peres."

Egypt has chosen the Mena House Hotel near the pyramids for its most significant contact with Israel since before the Israeli invasion of Lebanon in June, 1982. It was at the Mena House in late 1977 that the first tripartite discussions were held following President Sadat's historic visit to Jerusalem.

If there is progress toward resolving differences over Taba one of three sticking points, according to Egypt, in the way of better relations – it is likely that the Egyptian ambassador *to Tel Aviv will* be returned in what Israeli officials are describing as a "package deal." *Egypt's* ambassador to Israel was withdrawn in protest at the Lebanon invasion.

Other issues contributing to the "cold peace" between the two countries have been Israel's occupation of South Lebanon and its policies in the West Bank.

Dr Meguid, in an unexpectedly warm reference to recent developments in Israel, said the Israelis were "making efforts" in Lebanon and were trying to improve the *quality of life* in the West Bank.

Western officials in Cairo say that one of the conditions of U.S. assistance in reviving the stalled Middle East peace process is for Egypt to normalise its relations with Israel.

Continued on Page 22

Israeli Labour Party buoyed, Page 4

Gromyko and Shultz extend Vienna talks

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN VIENNA

MR GEORGE SHULTZ, U.S. Secre*tary of State, and Mr Andrei Grom*yko, his Soviet opposite number, unexpectedly prolonged their talks in Vienna last night on arms control and other East-West problems.

The two ministers were meeting on the eve of the *30th* anniversary celebrations of the Austrian state treaty, which marked the withdrawal of the second world war occupying powers – the U.S., Soviet Union, Britain and France, and guaranteed Austrian independence and neutrality.

At the end of a meeting in the Soviet Embassy which lasted for more than six hours, Mr Shultz said: "Our discussions were useful and they were comprehensive and they were detailed. They ranged over the issues that we normally discuss. We spent a heavy proportion of our time on the subject of arms control and in particular the Geneva negotiation."

The original intention was that Mr Shultz would make a statement shortly after 5pm local time, before attending a buffet supper for the 11 visiting foreign ministers, hosted by Mr Fred Sinowatz, the Austrian *Chancellor.*

One of the most important issues which Mr Shultz and Mr Gromyko were understood to be discussing was the U.S. proposal for a summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, *the Soviet leader.*

The Americans hope that this meeting can be arranged in September, when Mr Gorbachev is expected to be in New York for the session of the United Nations General Assembly.

The U.S. proposal was first made in a letter from President Reagan to Mr Gorbachev last March, on the occasion of the *funeral of Mr* Konstantin Chernenko, the late Soviet leader.

Moscow, however, has studiously declined to respond clearly to the U.S. suggestion, although it has expressed interest in the idea in very general terms. The sharp words addressed to each other's country by Mr Reagan and Mr Gorbachev during the recent 40th anniversary celebration of the Allied victory in Europe have hardly been conducive to a quick agreement on a date for the summit meeting.

The other important item on the agenda of yesterday's meeting was the nuclear arms control talks in Geneva, which are due to be re*sumed at the end of this month.*

Mr Shultz and Mr Gromyko were understood to be trying to find ways and means of breaking the deadlock in the discussions, caused by fundamental disagreements between the two sides on how to handle both offensive and defensive weapons.

Five EEC countries ease frontier curbs

BY PAUL CHEESERIGHT IN BRUSSELS

FRANCE, Germany, Belgium, the Netherlands and Luxembourg have agreed significant steps to ease the movement of people and the traffic of goods across their common land frontiers.

Ministers of the five countries were yesterday evening putting the *finishing touches to an agreement* which provides for:

- Cars and their passengers to cross borders freely if a special sticker is displayed noting that the occupants are complying with normal customs and immigration legislations.
- The abolition of controls on goods traffic, so that trucks can also move freely it they display a sticker similar to that for cars, subject only to spot checks.
- The regrouping of customs posts into one building where now they are situated on both sides of a frontier.

These short-term measures are accompanied by longer-term deci*sions to step up police co-operation – for example against drugs traffic.*

The agreement preempts an attempt at a wider EEC level to ease frontier formalities for individuals crossing borders. The measures being taken are in line with those proposed last January by the European Commission.

The decision of the five nations to go ahead on their own is an example of what is becoming known as "the Europe of variable geometry" – in which some EEC members are prepared to move towards integration in certain areas at a faster speed than others.

CONTENTS

Polish politburo's security service chief resigns

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH Communist Party's central committee has accepted the resignation of Mr Miroslaw Milewski, a politburo member and the committee's secretary formerly responsible for the security service.

He has served in the Interior Ministry all his working life and held a senior party post last October at the time of the murder by four security men of Father Jerzy Popieluszko, the pro-Solidarity priest.

His resignation came as the Government confirmed that a man claiming to have been plotting to assassinate Mr Lech Walesa, the Solidarity leader, has been arrested in Gdansk. A trial date has also been fixed for next week for three leading Solidarity figures, and currency proceedings have been instituted against Mr Stefan Bratkowski, a leading dissenting journalist.

Mr Milewski was widely alleged at the time of Fr Popieluszko's murder to have been at the head of a hard-line plot, based among disgruntled policemen, intended to cause unrest and threaten the position of General Wojciech Jarulzelski, the Communist party leader.

The claims were never substantiated, however, and they were vehemently denied by hard-liners themselves who saw the rumour campaign as a sign of political in-fighting designed to strengthen the position of General Czeslaw Kiszczak, the Interior Minister, and of General Jarulzelski himself. Mr Milewski disappeared from public view a few weeks after the priest's murder and yesterday's resignation merely registers the fact of his political demise.

Meanwhile Mr Jerzy Urban, the government spokesman, yesterday quoted copiously from the testimony of Mr Josef Szczepanski, a 34-year-old mechanic, who says he has been urged by an "underground organisation" to kill Mr Walesa but refused to do so and went to the Solidarity leader with the story. Mr Szczepanski was to have carried out the deed a few days ago while on leave from prison where he is serving an 11 year term for killing a man in a fight.

Mr Urban warned reporters not to take the story too seriously, but the detail he provided suggests a straightforward plot to assassinate the Solidarity leader.

Rare opportunity for Craxi as Italy votes for stability

James Buxton in Rome explains why the weekend election measured more than how the parties stand

THE RESULTS of the Italian regional elections which began pouring in on Monday night had a virtue that it all too rare in Italy: they were reasonably clear cut.

The opposition Communist Party lost support, by whatever yardstick one takes. The share of the vote won by the five ruling coalition rose—surpassing the results of the 1983 elections after which he came to power.

The Christian Democrats showed that they were once again on the way up after two successive years of bad election results, and Sig Craxi's own Socialists advanced in absolute terms.

The result is a blow for Sig Allessandro Natta, the Communist Party leader, who was relying on his party overtaking the Christian Democrats and so putting in a claim to power at the national level. In the event, the gap between the Communists and the Christian Democrats widened to almost 5 per cent, its biggest since 1980.

On the other hand, the position of Sig Craxi, both as Prime Minister and party leader, has been reinforced. Despite being head of a minority party—but one essential to the formation of Government—he can now reasonably expect to remain as Prime Minister for some time to come.

Technically, the elections were for the governments of 15 of Italy's 20 regions, as well as for the councils which run the country's provinces and the more than 8,000 communes, or municipalities, into which Italy is divided. But though local factors played a part and the elections will cause many changes in city administrations, the political parties all regarded them as a test of how they stood, two years after the 1983 general elections.

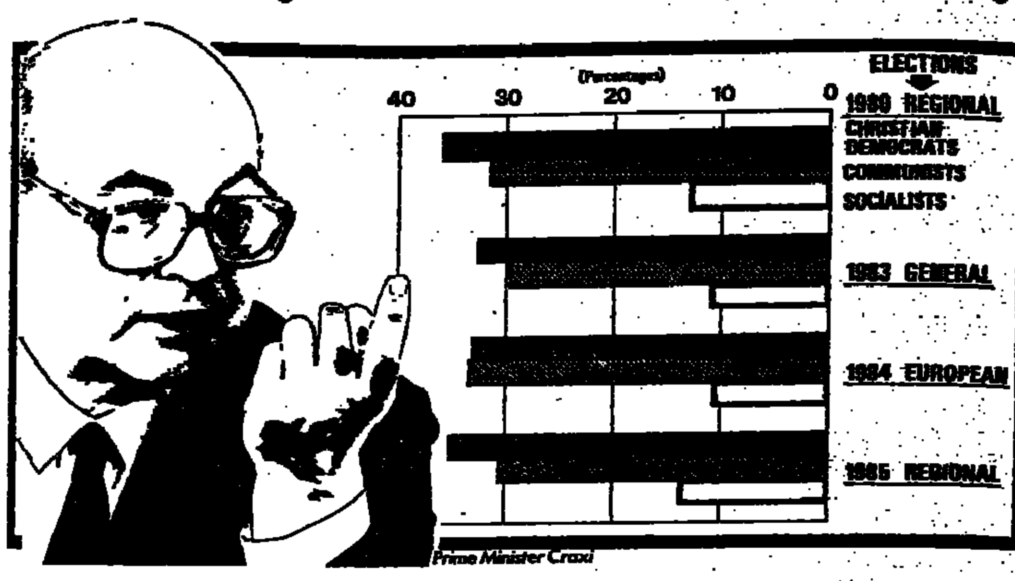
> A miscalculation by the Communist leader has allowed the Christian Democrats to breathe more easily, but the greatest potential gain is for the Socialist Party.

The Christian Democrats would have been relieved if they had at least maintained the 33 per cent they sank to in the great collapse of 1983, a level they maintained in last year's European elections. The Communists wanted to build on the 34.3 per cent they won in the European elections when they passed the Christian Democrats for the first time, by 0.3 per cent.

The Socialists had to advance in comparison with both the last regional and general elections if Sig Craxi's long-term aim of reversing the balance between the two major parties of the Left was to retain any validity.

In the event, it was the 67-year-old Sig Natta who failed to play his part well. He had made life as difficult as possible for Sig Craxi's Government and adopted an uncompromising anti-Government line in the election campaign. Sig Natta made the mistake of speaking openly about what he would do if the party again achieved the *sorpasso* — the over-taking of the Christian Democrats.

That gave superb ammunition to the Christian Democrats, who were making a concerted effort to win back lost ground by stressing traditional Catholic virtues and drawing on the active support of the church in a way that had not been seen in Italy for years. The spectre of Sr Natta's *sorpasso* was exactly what was needed to chill their supporters' marrow and to get them out to vote. The voting turnout was high at 88.9 per cent.



Prime Minister Craxi

Yet nerves were very tight on Monday after the poll closed. Sig Ciriaco de Mita, the Christian Democrat leader, remembering the traumatic experience of the 1983 results coming in, went into hiding in the country, only returning to Rome when he heard that everything was all right. He had been prepared to resign if his party had done badly.

But the Christian Democrats pushed their share up by 2 percentage points to 35.1 per cent, compared with the 1983 and 1984 elections. They still lost seats in regional governments because their result was nearly 2 per centage points below that of 1980.

The Communist total of 30.1 per cent is worse than its results in the last three electoral tests (including the 1983 general election in those regions which voted at the weekend). It suggests that the 34.3 per cent the party wont in the European elections last year was an exceptional result, heavily affected by the death a few days before of the greatly respected party leader Sig Enrico Berlinguer.

The party will probably lose power in some cities as its Socialist allies abandon coalition with the Communists to join the Christian Democrats. But the Communists can still claim to represent nearly a third of the electorate, and their support is still well above its level in the early 1970s. The question is whether it will fall any further.

The Socialist Party advance to 13.3 per cent was enough to satisfy Sig Craxi that the party is gradually going ahead under his leadership, but it would have been more convincing if it had won a percentage point or two more.

Italians seem to have signalled at the weekend that they want the present five-party coalition of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals to continue. These parties' share of the vote rose to 58.3 per cent compared with 56.2 per cent in the last general election. The vote was, as Sig Craxi said, for stability.

The stability comes at a moment of great opportunity. For the last six year there have been major elections every year, forcing governments to adapt their policies to winning votes and making serious reforms, particularly of runaway public expenditure, almost impossible.

There are now no major elections scheduled until the present parliament expires in 1988, assuming it runs its full course, and whoever rules the country for the next three years has a chance to make real changes. (Sig Craxi has already been Prime Minister without interruption for 21 months, the fourth longest since the war, and has often stated his intention to govern for at least three years.

Before then the Government must weather its next major challenge: the Communist-sponsored referendum on wage indexation set for June 9. Then will come the election by both houses of parliament of the next President of the republic. Only after that will the balance of forces which will decide the course of events in the coming years be fully in place.

Yugoslavia orders price cuts in 18 industries

BY ALEKSANDAR LEBL IN BELGRADE AND DAVID BUCHAN IN LONDON

THE YUGOSLAV Government has decided to try to moderate the country's soaring inflation rate of 60-70 per cent a year, about the highest in Europe, by ordering companies in 18 industries to cut the prices of many of their products to their February level.

The action affects those products whose prices have risen by more than 20 per cent this year and are well above world levels, and involves those manufacturers who are considered to be making above average profits.

A key consideration is the attitude of the International Monetary Fund which last month approved another stand-by credit arrangement of some \$300m for 1985-86. Only last year the IMF had Yugoslavia scrap a price freeze, on the ground that it attacked the symptom rather than the causes of inflation and created long term price distortions. However, it may accept a price roll-back as a temporary step.

The federal Yugoslav authorities are also asking:

- Individual companies and their nationwide association, the Economic Chamber of Yugoslavia, to reconsider prices of products in a further 17 industries, which have risen more than 50 per cent but whose manufacturers do not enjoy above average profitability.
- The country's eight republics and provinces to reduce the costs of municipal services, and the level of rents and various public levies.
- All public authorities to reduce by 8 per cent this year the number of their civil servants.

Papandreou refuses TV debate with opposition

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S SOCIALIST Prime Minister, Mr Andreas Papandreou, has rejected a challenge by Mr Constantine Mitsotakis, leader of the Conservative New Democracy opposition, for a live television debate on one of the most controversial episodes in recent Greek political history in which both men took part.

This was the downfall of the Centre Union government of Mr George Papandreou in 1965 in a chain of events which led to the installation of the Colonels' dictatorship two years later.

Mr Mitsotakis proposed that the television debate should be held before the June 2 general election, in which the Socialists and the Conservatives are the main competitors.

Mr Papandreou, a minister in the government of his father George, has made it a key feature of his election campaign to attack Mr Mitsotakis as a "traitor" for having been one of the MPs who abandoned the Centre Union to form a right-wing splinter government in 1965.

The move is believed to have been encouraged by the monarchy, which was abolished only after the collapse of the junta in 1974, and which had clashed bitterly with George Papandreou over control of the armed forces.

A dramatic ingredient of this clash were allegations that Andreas Papandreou led a secret left-wing conspiracy in the army code-named Aspida (Shield).

Bossano and Spain duck sovereignty in Rock talks

BY DAVID WHITE IN MADRID

IT IS IMPOSSIBLE to talk with the Spaniards about Gibraltar without talking about sovereignty. This golden rule, which led to a 20-year Anglo-Spanish confrontation over the Rock, and which the British Government had to accept before Spain agreed to lift border restrictions earlier this year, has just been disproved by Mr Joe Bossano, Gibraltar's opposition leader.

Mr Bossano, who strongly opposes any deal between Britain and Spain which fails to allow Gibraltarians the right to self-determination, said the issue had been kept off the agenda of his talks here. "It would frankly have been a dialogue of the deaf."

Leader of the Labour Party and front-runner to succeed Sir Joshua Hassan as Chief Minister, met representatives of Spain's ruling Socialist Party on Monday on his first visit to Spain since the early 1960s.

"We excluded decolonisation," Mr Bossano said before returning to Gibraltar, "and they did not include it."

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. U.S. subscription rates \$420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

EUROPEAN NEWS

Britain on verge of coal subsidies dispute with EEC

BY PAUL CHEESERIGHT IN BRUSSELS

THE BRITISH Government is on the verge of a major dispute in the European Community over who should control subsidies paid to the UK's National Coal Board (NCB).

This became clear yesterday when Mr Nicholas Mosar, the EEC Commissioner for Energy, outlined *to the Energy Committee of the European* Parliament, the Commission's thinking on how subsidies to the coal industry should be managed from January 1 1986.

Coal is exempted from the normal competition rules of the EEC, which prohibit the use of subsidies. But the exemption runs out at the end of the year.

Although Mr Mosar's proposals for what happens next year were vague in the extreme, they were based on the notion that supervision of subsidies would be in the *hands of the Commission, as is the* case with other industries operating outside the normal competition rules.

But this is precisely what the British Government wants to avoid. It is against centralised control, officials noted, and it does not want the right to grant subsidies subject to conditions established in Brussels.

The Commission is due this month to approve proposals for the control of subsidies to the coal industry. *These would be discussed* by energy ministers in June.

Mr Mosar said that aid for the industry would have to continue. But "where capacity is not competitive, *we must reduce it," he said*

Although Mr Mosar would not provide figures yesterday, his officials are believed to be preparing plans which involve an end to all *subsidies by the year 2000* and a production cutback of 15 per cent by 1990 over the whole EEC, with the number of jobs reduced from 435,000 to 290,000.

Mr Peter Walker, the UK Energy Secretary, has already announced plans for £2.65bn ($3.3bn) of subsidies to the NCB for 1986-87, but it will not cover losses beyond that *time.*

The Government's broad aims are thus in line with those of the Commission. Its argument in the Community, rather, will be about means. Sensitive in the aftermath of the UK miners' strike about pit closures, it will resist any attempt in the Community for any other body than the NCB to decide which pit is viable and which is not.

China and E. Europe to boost trade links

BY LESLIE COLITT IN EAST BERLIN

CHINA and Eastern Europe are busily rediscovering each other, after years of separation dictated by the split between Moscow and Peking.

Two Chinese Government ministers – for telecommunications and culture – have just visited East Germany, while an East German "friendship" delegation toured China.

A Chinese Vice-Premier responsible for foreign trade is to visit Warsaw this month and trade between the five small East European countries and Peking is set to recover to the level of the early 1960s in a few years.

China's trade with Hungary this year *is to rise to SwFr 650m* ($251m) from SwFr 273m last year.

Poland's trade with China is to expand 180 per cent this year to SwFr 1.4bn and Polish companies are to modernise sugar refineries and food-processing plants supplied in the 1950s.

Nearly 20,000 Polish cars and 6,100 trucks are to be shipped to China this year, the largest export order ever received from outside Comecon.

Czechoslovakia is developing its trade with China by 30 per cent to SwFr 1.5bn after trade quadrupled last year. Skoda and Tatra trucks are being exported to China, along with a truck assembly line. Peking also needs Prague's help to modernise plants built by Czechoslovak companies 30 years ago.

Romania, which never broke off its party-to-party ties with China, still has the largest trade with Peking of any East European country – more than SwFr 2bn last year.

Le Monde will offer stake to readers

By David Housego in Paris

LE MONDE, France's leading daily newspaper, is to make a significant departure from its traditions by giving outside shareholders a 25 per cent stake in ownership as a way of raising FFr 35m (£3m) in fresh equity funds.

The move was confirmed yesterday by M Andre Fontaine, the recently appointed editor-in-chief, as part of his efforts to put the newspaper back on a sound financial footing. *It will be voted on by* the existing shareholders—who comprise the staff and the founding members of the newspaper—at the end of the month.

M Fontaine is proposing that an appeal for fresh capital should initially be directed to readers—many of whom have expressed an interest in subscribing.

Until now, journalists at Le Monde have resisited moves to bring in outside capital as potentially damaging to editorial independence. Under *the structure* proposed by M Fontaine, the editorial staff will see their holding cut from 40 per cent to 30 per cent, a level which in law is still sufficient to give them a blocking minority.

The capital increase is part of extensive cost-cutting aimed at producing savings of FFr *104m in a full year—evuivalent* to 20 per cent of the net income Le Monde obtains from advertisements and sales.

The most controversial part of the plan is a new salary scale for journalists which involves cuts of 22 per cent for some

The salary adjustments are in the context of an overall 10 per cent cut in the newspaper's salary costs.

Several journalists expressed their dissatisfaction with the *new structure and on the way* it was decided by M Fontaine and his senior editorial team. They have asked that a decision on it be postponed

M Fontaine has none the less secured salary cuts from the administrative staff as well as some voluntary departures.

It is also proposed that the newspaper's headquarters *in* the Rue des Italiens be sold to raise funds.

Swedish strike tightens grip as shares fall

BY KEVIN DONE AND DAVID BROWN IN STOCKHOLM

SHARE PRICES continued to fall in Stockholm yesterday as Swedish financial markets tried to come to terms with Monday's dramatic tightening of monetary policy which has given the country virtually the highest interest rates in Europe.

At the same time, there was still no sign of any breakthrough in the civil service strike and lock-out which has halted both domestic and international air traffic in Sweden and badly disrupted trade. The state railways can no longer accept out*ward bound freight, and the* SAS Scandinavian airline warned that its daily losses of SKr 15m (£1.35m) have forced it to prepare redundancy notices for as many as 700 employees.

Some SKr 8bn (£720m) has been wiped off the value of the Stockholm stock market in the past two days as share prices have tumbled in the face of the central bank's decision on Monday to raise the discount rate by 2 percentage points to 11.5 per cent and the penalty rate to 16 per cent from 13.5 per cent.

One trader said the market was still "shaky" yesterday as the all-share index fell by a further 1.3 percentage points following the drop of 2.1 points on Monday.

The Swedish krona was still weak on the foreign exchanges *as dealers remain unconvinced* that Monday's measure would have any impact on Sweden's underlying economic problems.

"People are still hesitant today," said one dealer. "The prime rate is now 17.5 per cent in Sweden, people are convinced they should borrow a little short-term abroad, and that is going at least to delay the outflow. But the election in four months is bad news. The market is going to be unsettled until then."

The nervous foreign exchange markets are still discussing an eventual devaluation, but such speculation was strongly denied by the central bank.

The attention of the markets is now focussed on the next weekly report from the central bank, which will indicate what success its measures have had *in halting the flow of capital* out of the country.

Swedish banks welcomed the central bank's decision to abolish interest rate controls on bank lending as an important step in the further deregulation of financial markets.

Bank profits will be badly hit by losses on their large bond holdings, but that can be partly offset by being able to raise lending rates well above the increase in the discount. "That has hardly happened before in modern times," said one banker.

The banks have raised their lending rates by 3.5-4 percentage points to around 18 per cent, and loud protests started coming yesterday from the grass-roots of the trade union movement, who see the chances of any real wage rise this year rapidly evaporating.

Meanwhile, the Swedish national railway announced that it can no longer accept export freight because its entire fleet of 1,800 railway cars has been virtually jammed at the border exits awaiting customs clearance. The stoppage will mainly hit the pulp, paper, lumber and steel industries.

SAS reports losses of SKr 180m (£16m) since the strike — which has involved Sweden's commercial air traffic controllers—began 13 days ago. The airline may be forced to serve redundancy notices as early as this Friday.

LIN, the group's *domestic* airline, reports monthly losses of SKr 50m, and warns that it could be forced into receivership by mid-summer if the strike is not resolved.

Mr Jan Carlzon, the managing director, said foreign concern over Sweden's mounting labour unrest also led to the loss by SAS last week of a major service contract for Fokker aircraft, and a potential loss of a further 500 jobs.

France acts to bring down mortgage rates

By Paul Betts in Paris

THE FRENCH monetary authorities yesterday announced changes in the domestic mortgage market in an attempt to bring mortgage rates down and stimulate activity in the depressed building industry.

The action coincides with a general decline in French interest rates, following an one-eighth point decline in the Bank of France's intervention rate to 10.125 per cent and a quarter per cent drop in Credit Agricole's base lending rate.

The other main banks are expected to follow Agricole's lead in the next few days. M Pierre Beregovoy, the finance and economy minister, has been arguing for a further gradual easing in domestic rates to encourage investment and economic activity.

Reform of the mortgage market will involve setting up a financial agency, similar in some respects to the U.S. Federal National Mortgage Asso*ciation to issue long term* bonds to finance mortgages.

Paris officials said the mortgage market suffered from having to rely on short term money. The new system, funded by longer term money, is expected to reduce current average mortgage rates of 16-16.5 per cent by 0.5-2 per cent.

The Government hopes this *will help the private building* sector recover from its extended slump.

CRUCIAL UNESCO BOARD SESSION OPENS WITH BRITISH BROADSIDE

UK makes public attack on M' Bow

BY PAUL BETTS IN PARIS

BRITAIN HAS become the first country to criticise in public Mr Amadou Mahtar M'Bow, the controversial director general of the United Nations Education, Scientific and Cultural Organisation (Unesco), *which is in the throes of a pro*found institutional and financial crisis.

Mr William Dodd, the UK representative on Unesco's executive board, criticised Mr M'Bow's frequent foreign visits in a speech during the current crucial session of the board.

"I am very conscious of the large amount of foreign travel which he has felt it necessary to undertake," he said. "Nonetheless, in view of current circumstances I wonder whether he will find it possible *to spend rather more time* here in Paris in future in order to co-ordinate and lead the Secretariat (which he has rightly explained is under severe pressure) in the many difficult tasks before it." Mr M'Bow has made about 20 visits abroad between October and the end of March.

It is the first time that Mr *M'Bow, who is Senegalese* and who has been blamed for much of Unesco's troubles, has been directly called into question at an open board meeting.

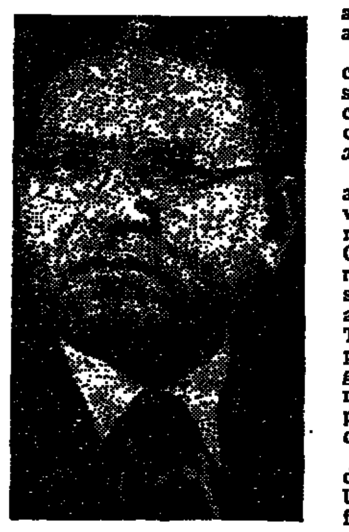
Up to now, even the countries most critical of his management and leadership have been at pains to avoid personal attacks on him. Mrs Jean Gerard, the former U.S. permanent delegate, was under strict instructions from Washington not to make direct criticisms of Mr M'Bow although she played an impor*tant role in the U.S. decision* to withdraw from the agency.

With his speech, Mr Dodd has lauenhed the debate in an executive board session which is due to last six weeks. Mr Dodd suggested, however, that the session should be extended if necessary because the stakes were extremely high for Unesco's future.

It will set the stage for Unesco's general conference in Sofia in October. The agency is under pressure from Western governments to undertake significant reforms at the same time as finding a solution to its financial problems caused by the U.S. departure. The U.S. has deprived Unesco of 25 per cent of its budget or the equivalent of $43m this year.

Britain has also given notice that it will withdraw at the end of this year unless it is satisfied by the reforms the agency makes. However, *delegates* believe that time is running quickly out and that this session of the executive board is in some respects the last chance to find a solution.

Mr M'Bow has proposed that Unesco use its reserves—which normally cover additional inflationary costs in a given budgetary period to help offset the shortfall in this year's budget. But Britain, Canada and even the Soviet Union oppose this move, *while* France yesterday suggested it would favour the director general's proposal.



Mr M'Bow: under pressure

Despite receiving about $8m in voluntary contributions and making a number of budgetary cuts, the agency is still seeking about $10m to cover its budgetary deficit this year.

Mr M'Bow is understood to be coming under increasing pressure from several developing countries to adopt a more conciliatory approach to resolve the *agency's dire problems.*

It remains to be seen if he and the executive board as a whole will accept some limited reforms based on the U.S. General Accounting Office's report. Among proposals inspired by the GAO inquiry are a tightening of programmes. The GAO report said nearly 30 per cent of Unesco's pro*grammes. The GAO report said* nearly 30 per cent of Unesco's programmes were duplicating other work.

The British government is due to review its policy on Unesco after the general conference in October. Mr Dodd said Britain remained committed to the UN and to multilateral co-operation but wanted to see Unesco work "as an effective forum for international intellectual co-operation, particularly as an instrument for providing help *to the Third World.*"

A number of other major countries have warned that they will reconsider their position in Unesco unless reforms are undertaken. Among them are West Germany, Japan and the Netherlands.

OVERSEAS NEWS

Philippine debt rescue hangs in the balance

BY SAMUEL SENOREN IN MANILA AND PETER MONTAGNON IN LONDON

HOPES THAT the Philippines will be able to sign a $10bn debt rescue package with commercial bank creditors on schedule next week hung in the balance last night following the Government's failure publicly to endorse a rehabilitation plan for the country's only distributor of fertiliser products.

A meeting of creditors of the troubled fertiliser concern, Planters Products, was adjourned until Friday to allow more time for work on the rehabilitation plan that would include a firm commitment by the Government to provide fresh equity as well as guarantees on subsidy payments.

Planters owes foreign banks about $83m (£66m) and has fallen behind with interest payments to such an extent that some, including Lloyds of the UK, Societe Generale and Credit Lyonnais of France as well as Rainier National of the U.S., have threatened to withdraw from the rescheduling unless its problems are dealt with.

Mr Cesar Virata, Prime Minister and Minister of Finance, said recently that the Planters Products issue should not hold up the signing of the rescheduling, but expectations of a delay were spreading through the banking community yesterday after the creditors' meeting failed to produce any firm conclusion.

Mr Jose Laurieta, a lawyer for the fertiliser company, said in Manila yesterday that the Government had promised to pay over six months the company's claims of 335m pesos (£14.8m) in subsidies as well a capital injections of 206m pesos over the next two-and-a-half years.

But Philippine government sources denied that any such commitment had been made. One problem lies in squaring these extra payments with the budgetary restrictions imposed on the Philippines under its current IMF programme.

Manufacturers Hanover, which has been spearheading negotiations with the Philippines, declined to comment yesterday on the possibility of a delay in signing the rescheduling.

The Philippines badly needs this agreement which will allow it to eliminate debt service arrears as well as provide access to $3bn in vital trade finance.

S. African call for work stoppage has little effect

BY JIM JONES IN JOHANNESBURG

UNION CALLS for work stoppages to mark the funeral of Mr Andries Raditsela had little effect in South Africa yesterday, employers say. Mr Raditsela, a union official who died of a brain haemorrhage on Monday last week after being questioned by police, was buried quietly yesterday at the black township of Tsakane near the East rand industrial town of Brakpan.

In Tsakane about 5,000 mourners attended the funeral. Police and soldiers patrolled the township in armoured vehicles but avoided confrontation with the mourners.

Last week Fosatu, the Federation of South African Trade Unions of which 29-year-old Mr Raditsela was an official, called on workers to observe a two-hour work stoppage if they were unable to attend yesterday's funeral.

Employers and employer organisations were generally conciliatory. But while they reasons for the work stoppage expressed sympathy for the cal, they generally agreed that workers would not be paid for any time not worked. Yesterday several employers in and around Johannesburg reported that stoppages had taken place around noon but that as they had largely coincided with normal mid-day lunch breaks work had not been greatly disrupted.

● Three explosions damaged police living quarters and court offices in Brakpan in the early hours of yesterday morning. Police reports say that damage was not serious.

Tamil rebel gunmen kill 86 in holy city

EIGHTY-SIX civilians were killed yesterday when Tamil guerrillas took their separatist campaign into the sacred city of Anuradhapura and the Sri Lankan cabinet held an emergency session on the country's latest crisis, Reuter reports from Colombo.

It was the first major assault by the guerrillas, who are fighting for a separate Tamil state, into a predominantly Sinhalese area.

Five Buddhist nuns, 25 other women and six children were among those who died when a guerrilla band disguised as soldiers sprayed gunfire into crowded streets and then went on a shooting spree through the surrounding countryside.

Officials said the death toll in the shootings, the bloodiest attack of the separatist campaign, rose from the earlier figure of 78 to 86 with the discovery of eight more bodies in a national park where the rebels had gone into hiding.

The officials said President Junius Jayewardene summoned a crisis meeting of senior cabinet ministers to discuss the killings and three opposition parties in parliament called for an emergency meeting of the legislature to discuss the issue.

Anuradhapura, 125 miles north of Colombo, was declared a sacred Buddhist city 30 years ago and has a population of 38,000, most of them Sinhalese.

Mervyn de Silva adds: A special envoy of President Jayewardene is in New Delhi this week for talks with Prime Minister Rajiv Gandhi aimed at defusing Indo-Sri Lankan tensions and discuss how India could help Sri Lanka to contain the growing Tamil separatist revolt in the island's north. The special envoy, Mr Esmond Wickremasinghe, will attend the South Asian Foreign Ministers meeting which opened in Thimpu, Bhutan, yesterday.

Mr Jayewardene's move follows appeals made to him at the weekend by Pakistan's President Zia ul-Haq, the King of Bhutan and Mr Gandhi himself to reconsider Sri Lanka's decision to "boycott" the Bhutan conference.

Alain Cass in Ahmadabad describes the sectarian violence affecting Gujarat

Rich Indian state gripped by bitter caste war

IF MAHATMA GANDHI were alive today, he could stand on the porch of his house on the Sabarmati River and watch thin plumes of smoke rising above the ancient capital of his native state.

Gandhi's ashram stands opposite the walled city of Ahmedabad, where heavily armed troops patrol the near-deserted streets amid the charred ruins of homes, shops and offices—the results of two months of communal violence.

It was from here that Gandhi launched some of his most spectacular campaigns against the British Raj and the scourge of caste and communal hatred. The failure of those and later campaigns to eradicate India's most intractable problem is as evident here as anywhere else in the country.

In the maze of narrow back streets young army officers lead their units in hazardous sorties against mobs who suddenly appear, hurl bricks and petrol bombs and vanish. In the new city, rioters set cars ablaze or loot shops belonging to members of a caste or a community against whom they have a grievance, real or imagined.

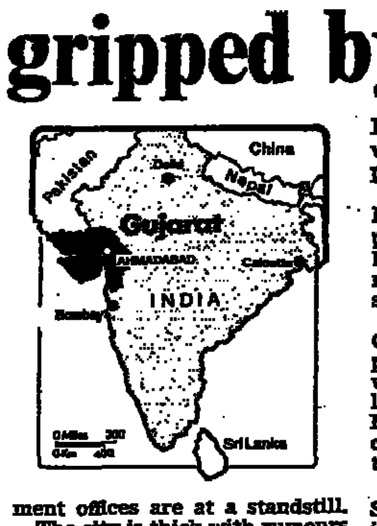
In the past few days over 100 stabbings have taken place and mutilated bodies found in the gutters. A Moslem funeral procession marches silently by, escorted by an army truck, with a heavy machine gun mounted on the cab.

In the past two months at least 90 people and perhaps as many as 300 have died in the violence throughout the state of Gujarat. The offices of the state's largest circulation daily, the campaigning Gujarat Samachar, were gutted by fire last month on a day when the mobs, sometimes led by police out of uniform, went on a seven-hour rampage after a policeman was hacked to death in broad daylight.

The situation is not as bad as in 1969 when as many as 2,500 people died in sectarian violence, but it is bad enough to have Mr Rajiv Gandhi, India's new Prime Minister, hurrying down from New Delhi to see for himself.

By the time the Indian army was asked to take over responsibility for restoring law and order from a discredited police force at dawn last Sunday, everybody seemed to be fighting everybody else.

Hindus were fighting Moslems, upper castes were fighting lower castes, students were pitted against the state Government, old scores were being settled indiscriminately. The police, widely accused of taking sides against sections of the population—a charge privately supported by army officers—was a defeated and demoralised force. Schools are closed and government offices are at a standstill.



The city is thick with rumours that "foreign hands"—the usual euphemism for Pakistan—are encouraging the city's Moslems to take advantage of the chaos.

The spark which ignited the trouble has been virtually forgotten and seems irrelevant now. It began when Mr Madhavsinh Solanki, Gujarat's Chief Minister, announced shortly before the state assembly elections in March that the number of government jobs and college places automatically available to lower castes and backward minorities would be increased from 31 per cent to 49 per cent.

India's constitution provides for positive discrimination in favour of the country's lower castes and the Harijans, or untouchables. This provision has caused resentment among India's upper castes, who have watched their inherited privileges being steadily eroded.

Gujarat's upper caste—the Brahmins and Patels, a once powerful landed community—has been overtaken by the rising Kshatriya caste, mostly small farmers and businessmen.

In 1980, Mr Solanki's ruling Congress (I) Party swept to power with a huge majority with the backing of Gujarat's lower castes. The Patels and Brahmins found themselves increasingly excluded from positions of power.

"Our Government," says Mr Solanki from a small room in its heavily-guarded colonial headquarters "is a common man's Government. We aim to eradicate the widening gap between rich and poor."

Although Gujarat is a major textile centre and one of India's richest states, Mr Solanki claims that 70 per cent of the state's 30m population belongs to the so-called scheduled castes and tribes, whose lot he wants to improve. The opposition claims all he wants is their votes.

Mr Chimanbhai Patel, leader of the opposition BJP Party, claims Mr Solanki is indulging in "the cynical politics of backwardness. This Government has merely fuelled the caste war," he charges.

The proof that Mr Solanki's move to increase the quota was little more than a pre-election gambit to win votes, his opponents say, is the fact that the state's backward castes have not been able to fill the previous quota of 31 per cent.

"So why increase it? asked one community leader. "The Government saw the increase as a vote bank which could go on expanding." Mr Solanki reports that it is the opposition, in the face of a crushing defeat, which is stirring up trouble to force him out of office.

Since the outbreak of violence in Gujarat Mr Gandhi's Government has asked India's 22 states to suspend changes in reservation quotas pending a national review. Mr Solanki has said he is willing to postpone a final decision, but the violence has now taken on a momentum of its own.

Mr Solanki may have overplayed his hand flushed with the success by a landslide victory and in the belief that Mr Gandhi would stand by him indefinitely. For the time being, there is no question of the Chief Minister's resignation: he seems prepared to ride out the storm.

If the violence continues his future may be in doubt. But whatever happens to Mr Solanki, the present troubles have probably set back the cause of communal harmony in Gujarat by years.

No date set for postponed U.S. N-ship visit to China

BY ROBERT THOMSON IN PEKING

A "NUMBER of issues" have to be resolved before U.S. warships will visit China, a Chinese Foreign Ministry spokesman said today, following the anouncement that a proposed visit to Shanghai had been postponed indefinitely.

The visit of three U.S. warships had been pencilled in for next Saturday, May 18, until a wrangle arose over whether the ships would carry nuclear arms.

At the Chinese end, no one is willing to indicate when a new date will be set for the visit, intended as a symbol of the improvement in the two countries' military relations.

The dispute is over the Chinese desire for assurances that visiting vessels will carry only conventional arms, the issue that prompted the falling out between the U.S. and New Zealand earlier this year.

Problems arose for the "courtesy" visit—which would have been the first U.S. port call to China since the 1949 revolution—when Hu Yaobang, the Communist Party general secretary, said last month that the U.S. had agreed that visiting ships would not carry nuclear weapons.

U.S. officials immediately denied that any explicit assurance had been given, saying that there had been no change in the policy of refusing to confirm or deny whether visiting vessels carry nuclear arms.

It had been hoped that the call would symbolise the budding military relationship between the two powers; a relationship which has reportedly included the U.S. agreeing to sell anti-submarine and anti-tank weapons, and destroyer modernising equipment.

Singapore ends school policy

By Chris Sherwell in Singapore

THE SINGAPORE Government yesterday confirmed it would scrap a controversial education policy favouring children of graduate mothers. The policy, introduced in January last year, contributed to the setback suffered by the ruling People's Action Party (PAP) in last December's election.

Speaking in parliament yesterday, Dr Tony Tan, the Education Minister, announced new guidelines for school registration, similar to the previous ones. He called the guidelines the "fairest possible," and the change was applauded by MPs.

The scheme gave graduate mothers priority in registering their children at top primary schools. The aim was to encourage them to have more children, on the assumption that this would better replenish the island state's "talent pool."

Labour Party buoyed by Israeli union election gains

BY DAVID LENNON IN TEL AVIV

ISRAEL'S Labour Party has emerged considerably strengthened from a trade union election which also saw support for the right-wing Likud bloc declining by 5 per cent. This will encourage elements within the Labour Party who favour dissolving the coalition of the two parties in the National Unity Government and holding new general elections.

Monday's poll saw Labour increase its percentage of seats in the central committee of the Histadrut trade union federation by 5 per cent, to 66.7 per cent. The Likud share of the seats fell from 26 per cent to just over 21 per cent.

Mr Shimon Peres, the Labour Party Prime Minister, was cautious not to sound over optimistic after the election, but in private Labour officials were clearly buoyed by the good showing of the party.

The Likud blamed its poor performance on the fact that it has agreed to play a secondary role in the National Unity Government. Likud politicians said they will adopt a more aggressive line in Government so as to win back the supporters.

The country is now braced for a barrage of tough new economic measures which had been held back for the Histadrut elections. Mr Peres threatened yesterday that he would resign if the Knesset did not pass quickly a series of new taxes and other measures which have been blocked in committee.

AMERICAN NEWS

Managua pledges to maintain U.S. debt payments

BY TIM COONE IN MANAGUA

THE CURRENT tour by Sr Daniel Ortega, Nicaraguan President, to eastern and Western Eruope is not bringing the hoped-for levels of economic support, although in political terms "it has been a great success," according to the Nicaraguan Vive-President, Dr Sergio Ramirez.

Sr Ortega arrived in Rome yesterday and will travel to Sweden today.

Dr Ramirez told the foreign press in Managua yesterday that in economic terms the tour has made "positive advances" and obtained "good responses" to Nicaragua's need for raw materials and preferential training agreements. However he added: "the results are such that our economic problems will not be resolved in one trip."

The recent U.S. trade embargo will not be used, however, as an opportunity to renege on Nicaragua's debts with the U.S. "On the contrary, we intend to comply with our international obligations," he said.

"Our U.S. creditors and suppliers can be sure that we will pay up to the last cent for the goods we have received."

Dr Ramirez said that recent commitments made to 60 U.S. banks over the restructuring of Nicaragua's foreign debt would also be maintained. The U.S. business community did not support the trade embargo, he said.

The Vice-President said Nicaragua had taken precautionary measures to minimise the impact of further possible U.S. sanctions. Future santicons could include the seizure of Nicaragua's assets in the U.S., the inclusion of U.S. overseas subsidiaries within the terms of the embargo, and the prohibition of the use of the U.S. dollar by Nicaragua in international transactions.

The renouncing of the 1957 friendship treaty between the two countries by the U.S. on May 1 removes the protection against expropriation guaranteed to the 45 U.S. companies which manufacture or trade in Nicaragua. However Dr Ramirez said: "We do not intend to make reprisals

Dr Ramirez said "Nicaragua was in excellent condition."

The recent proposal to Honduras over the pacification of their joint border zone included the possibility of combined military action against the U.S.-backed counter-revolutionaries, or contras.

More than 4,000 contras were now concentrated in several bases just inside Honduran territory, and the Nicaraguan deputy foreign minister had recently discussed with his Honduran counterparts their concerns over the presence of the contras inside Honduras.

Our San Jose correspondent adds: The first U.S. troops have arrived in neutral Costa Rica to help improve the border guard force.

Although civil guards have been trained at U.S. military schools in Panama and Honduras, this is the first time U.S. troops will be present in Costa Rica. From this month some 20 U.S. officers will train 750 guardsmen at a camp near the Nicaraguan border.

Costa Rican President Sr Luis Alberto Monge admitted last week the country had no proof of an imminent Nicaraguan invasion but said the country could not defend itself with "machetes and flintlock rifles."

Chris Sherwell, recently in Manila, reports on changes in the Philippines which are worrying Washington

Political disorder threatens U.S. Pacific strategy

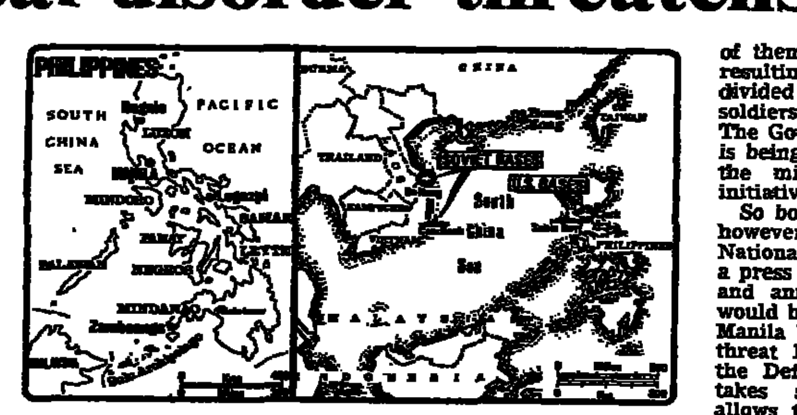
AS AMERICANS ponder increased U.S. involvement in Nicaragua and reflect on their defeat in Vietnam 10 years ago, fresh dilemmas are being posed in a third country involving vital U.S. interests—the Philippines.

President Ferdinand Marcos, a loyal friend to Washington, who has ruled this former U.S. colony for 20 years, is at 67 in erratic health and without an obvious successor. The economy is weak, and the military's alleged involvement in the assassination of opposition leader Benigno Aquino has exposed him to attack. A communist-inspired insurgency is meanwhile spreading relentlessly.

In Washington's eyes, a slow descent into disorder can only be reversed through fundamental economic and political reforms. But the question remains of how far the Reagan Administration should go—or can go—in encouraging such changes, given the Philippines' overwhelming strategic importance.

The U.S.'s two largest military facilities outside America—Clark air base and Subic naval base—lie in the Philippines. From here the U.S. has access to the Western Pacific and the Indian Ocean, and control of the sea lanes linking Japan to the Gulf.

To Washington, this strategic position has looked increasingly important ever since the Soviet Union, following the U.S.'s Cuban blockade 23 years ago, began building up its global naval power. But it has become critical sice Moscow's major success in 1979 in securing access to the former U.S. naval base at Cam Ranh Bay and to Da Nang air base in Southern Vietnam.



Because the U.S. has no wish to jeopardise its own position, its latitude in influencing President Marcos is limited, as the wily leader knows. Washington already admits to serious concern both over opposition calls for a removal of the bases and over the growing strength of the guerrilla insurgents, and has even begun considering alternative bases, should revolution suddenly overtake the Philippines.

For the moment opposition demands are blunted by disunity over the bases issue and over their more general strategy for removing Mr Marcos. As long as they are unable to form a solid or credible alternative government, they appear to pose no threat. But the loss of a non-violent alternative would itself be risky, which is why the U.S. Administration stays closely in touch with opposition figures as well as the Marcos government.

The insurgency is a different matter. The New People's Army, the military wing of the Communist Party of the Philippines, is estimated to have between 10,000 and 12,000 armed members and, according to U.S. Defence Department figures, perhaps as many as 15,000. The Communist Party itself is said to have 60,000 members.

The public manifestation of these underground forces is the National Democratic Front, an alliance of left-wing opposition groups which is widely believed to be under the ultimate control of the Communist Party. It is said to have 100,000 members.

The greatest penetration is in Mindanao, the country's largest island, in the south. But the NPA is also active in Luzon, Samar, Leyte and Negros. Incidents last year occurred at the rate of 10 a day, the bulk of them initiated by the NPA, resulting in some 3,000 deaths, divided roughly equally between soldiers, guerrillas and civilians. The Government says the trend is being reversed this year and the military has seized the initiative in armed encounters.

So bold has the Left become, however, that last month the National Democratic Front held a press conference in Mindanao and announced that the NPA would be carrying its attacks to Manila by next year. This is a threat Mr Juan Ponce Enrile, the Defence Minister, says he takes seriously; already he allows the possibility that hit-and-run attacks are being mounted from outside the capital.

Mr Enrile also insists that the insurgency remains indigenous, and diplomats agree there is no evidence of material assistance from other Communist countries. But this has not stopped policy-makers in Washington from anticipating the worst and talk has grown of possible alternative bases.

No alternative yet hinted at, however, would be as suitable as the Philippines. Under its 1983 bases agreement with the Marcos Government, the U.S. is paying a total of $900m over five years, $300m for purchases of military equipment, $125 for military assistance and $475m for economic support.

Before money even started flowing, however, Congress altered the mix of the Reagan Administration's first payment, docking $45m from the $85m in military aid and adding it to $95m of economic assistance. For fiscal year 1986, the House of Representatives foreign affairs committee is recommending a repeat of this move, cutting U.S.$75m off military aid and adding U.S.$60m to economic assistance.

Mr Stephen Solarz, head of the House Asia-Pacific sub-committee which first proposed the change, said the move would send a message to President Marcos that he should make the reforms sought by the U.S. But it upset the Philippines Government, which feels a rent agreement has been broken.

If the move also irritated the Reagan Administration, it was at least in line with the thinking behind U.S. policy. An inter-agency study prepared in Washington last November and leaked in March makes it quite clear that the erosion of support in the Philipines for the U.S. bases can only be stopped through a resuscitation of democratic institutions.

That means, as far as possible, making any financial or other assistance conditional on changes which, in practice, weaken Mr Marco's' personal rule. Ideally, these changes would limit his decree-making power, reform the institutions and laws regulating elections, expand press freedoms, reform the army, and end central control of strategic sectors of the economy like grains, sugar, coconuts and fertiliser.

They would also mean a proper trial of the 25 soldiers and one civilian accused of conspiring to kill Mr Aquino.

Beyond this, the U.S. is enlisting the support of foreign governments, especially aid donors, to press for economic reforms, and is helping the International Monetary Fund, World Bank and Asian Development Bank stand by the conditions they attach to their large and desperately - needed loans.

Meanwhile scarcely a month goes by without visits to the Philippines from U.S. officials or politicians—Mr Solarz, Mr Wolfowitz and Mr Richard Armitage, Assistant Secretary of Defence, for example.

Given that the Philippines occupies a special place in American hearts and that a Filipino constituency is becoming increasingly identifiable at home, the Reagan Administration is plainly anxious about the course of events in the country and its capacity to influence them without leaving itself vulnerable.

Eighteen months ago, in the aftermath of Mr Aquino's assassination when protesters thronged Manila's streets, it was tempting to liken Mr Marcos's position to that of the Shah of Iran before he was ousted. When he fell ill last year and the power of his wife Imelda seemed in the ascendant, he was likened to Chairman Mao in his last days.

Nowadays the reference is to Nicaragua, where widening support for a leftish movement against an insensitive autocrat brought in a popular regime which subsequently lost its moderates. Just as Nicaragua now worries the U.S., so, on this parallel, will the Philippines. The unanswered question is how Mr Marcos will respond to the mounting pressures around him.

U.S moves to dispel European fears on secret SDI research

THE REAGAN Administration sought yesterday to dispel fears in Western Europe that the allies will be barred from working on the most sensitive parts of its Star Wars research, AP reports from Brussels.

The U.S. mission to the North Atlantic Treaty Organisation (Nato) issued a statement declaring that the allies would be allowed to work on the secret as well as the non-secret portions of the project, known as the Strategic Defence Initiative (SDI).

This was in response to published reports that Gen James Abrahamson, the head of the SDI programme, had told a Belgian newspaper the allies would be excluded from the secret research.

In March the Pentagon formally invited the Nato allies and other friendly nations to join the $26bn (£21.7bn) SDI research programme. So far only Britain has said it will participate, while most of the others have expressed varying degrees of interest. Among the major powers, only France has ruled out participation.

The U.S. mission to Nato said Gen Abrahamson's office had instructed it to state that "allied nations, if they so decide, will be able to participate in both classified and unclassified research under the SDI."

Nancy Dunne in Washington writes: Four U.S. senators have asked President Reagan to adhere to Salt II ceilings for multiple-warhead missiles, adding their voices to a growing debate within the Administration over whether to continue the U.S.-USSR informal strategic arms pact.

In a letter to the President, the senators—Republicans John Chafee and John Heinz and Democrats Dale Bumpers and Patrick Leahy—said that for U.S. to violate Salt II would cast a pall over the arms talks in Geneva, seriously damage important U.S. foreign policy interests" and end superpower restraint on deployment.

While noting U.S. "legitimate concerns" about Soviet compliance with the pact, the senators said: "There is no question that the Soviets have remained within the (multiple independently targetable re-entry vehicle) ceilings of Salt II and other important limits. This is especially important because the Soviets are just below the 820 limit on Mirved intercontinental ballistic missiles, having 818."

U.S. retail sales rise 0.9% in April to $112.2bn

BY STEWART FLEMING IN WASHINGTON

EVIDENCE THAT consumer spending in the U.S. is providing only a modest boost to the U.S. economy came yesterday when the Commerce Department reported that retail sales in April rose .9 per cent over the level of the previous month to $112.2bn (£935bn).

The department also revised its March estimate to show a smaller 0.7 per cent decline from February rather than the 1.9 per cent initially reported.

Mr Robert Ortner, the department's chief economist, said it appeared that in the second quarter the economy is "off to a relatively modest start at best. At this point I would guess that it would be better than the first quarter but still sluggish." In the first quarter, the U.S. economy expanded at a real annual rate of only 1.3 per cent.

Mr Ortner said weakness in the employment data for April also pointed to sluggishness in the economy.

Retail sales data is often subject to considerable revision and month by month figures are thus treated as only a rough guide to the strength of consumer spending.

Over the three months from February to April retail spending was only 1.2 per cent higher than in the previous three months.

● Democrats in the House of Representatives were meeting yesterday to chart their party strategy in the debate over the Federal Budget expected later this week.

A key issue is how the Democrats should respond to the cuts in social security benefits which have been passed by the Republican-controlled Senate.

WORLD TRADE NEWS

Aramco signs $160m Saudi pipeline deal

BY FINN BARRE IN RIYADH

THE Arabian-American Oil Company (Aramco) has signed two contracts worth almost $80m (£66m) each to build a crude oil pipeline across Saudi Arabia.

The new 1,201-km pipeline will raise the present capacity of Saudi Arabia's east-west pipeline from 1.85m barrels per day (bd) to 4m bd.

The 58-km eastern portion of the pipeline contract from Abqaiq to Dawadmi has been awarded to Mannesmann Anlagenbau of Dusseldorf and the Athens-based Lebanese company, Consolidated Contractors International Company (CCC). The western portion of the contract has gone to Saipem of Italy.

The pipeline contract was originally broken into four parts, but was awarded as two when Aramco signed the deals on April 30. The signing was not announced until this week.

The 56-in pipeline will use the present pumping stations on the east-west pipeline but eventually pumping stations will be upgraded to raise line capacity.

The new line will roughly run parallel to the present 48-in line. Industry officials say that with the construction of a new line Saudi Arabia will be almost independent of shipping in the Gulf.

Some officials add that the new line is being built because corrosion problems on the present line may force closure within a couple of years for major repairs.

Construction will begin in June, and is expected to finish by March 30 1987, a total of 3,000 workers to be employed.

The Government has exempted the contract from its usual 30 per cent rule, which requires foreign and joint-venture contractors to award 30 per cent of their contracts to 100 per cent Saudi companies.

Suppliers for the pipeline include National Pipeline Company, a Saudi-Japanese joint venture, Siderexport of Italy, and Nippon Kokan and Sumitomo Metal Industries of Japan.

New export insurance scheme

By Our Trade Staff

A scheme for managing export insurance for smaller companies was launched in London yesterday.

Unicol Group Holdings, a credit management and debt collecting company, is offering to take over the administrative work involved in insuring trade and recovering arrears which would otherwise be handled by the exporter and the Export Credits Guarantee Department.

Companies that bought the service would continue to be insured under the standard ECGD policy, but, it was claimed, costs could be cut by tighter credit control and fewer claims on the policy. The scheme, to be called UNEXIS, does not provide trade finance.

The company said that in the event of non-payment, it would pay 80 per cent of the insured value of the goods 90 days after the due date, and the balance after a further 90 days, minus a management charge.

The ECGD pays 90 to 95 per cent of insured value after the loss has been verified, which takes between four and six months.

The scheme was welcomed by ECGD officials as "an important new venture in the field of export credit management."

Cuba to boost trade ties with West

A BRITISH business mission to Cuba returns to London today confident about increased numbers of orders after receiving assurances that Cuba intends to boost its trade ties with the West.

Senior trade and banking officials, including Sr Ricardo Cabrisas, the Trade Minister, made clear to the 20-member mission that Cuba needed more Western expertise to update its own industries.

Cuba wants to boost its imports from Western nations to 20 per cent from 16 per cent, the officials said.

This would indicate Cuba's imports from Comecon would scale back to 80 per cent from existing levels of 84 per cent.

Western exports to Cuba would therefore rise to $1.050bn (£875,000) this year from around $800m in recent years.

Potential exists for an even greater scope for imports but is hampered by tight Paris Club restraints which followed Cuba's own debt rescheduling of August 1982.

Cuba is also pressing for more liberal export credit terms from western agencies, particularly Britain's Export Credits Guarantee Department, which Cuban officials cited as having been particularly conservative with only short-term coverage limited to £10m.

Cuban Central Bank officials meet British bankers in London this week to discuss debt matters and hope to achieve more liberal terms from the ECGD when the two sides meet in Havana later this month.

For those British companies on the mission, the 10-day visit gave them a first-hand oportunity to meet Cuban import agencies and to make a medium-term assessment of Cuba's import needs.

Visits to factories and project sites elicited the universal observation thar Cuba needs considerable injections of Western "know-how" if it is to update its own infrastructure and boost the export potential of its products.

Cuba needs considerable injections of Western 'know-how' if it is to update its own infrastructure and boost the export potential of its products, Frank Gray, recently in Havana reports.

The most useful expertise is in basic and medium technologies. The paints division of ICI, for example, learned that there are more than 1,200 bridges needing paint in Cuba and numerous public buildings around Havana requiring attention as the Government begins the long task of improving the city's appearance.

Paint factories themselves need overhauling if they are to begin to meet domestic needs.

Spear and Jackson of Sheffield found a shortage of wood and industrial cutting equipment, but more importantly, said that that sector lacked adequate support equipment, such as sharpening machinery.

Similar needs were found by other mission members representing companies providing valves, conveying and transmission equipment, tools and measuring instruments, drainage material, basic chemicals, solvents and package equipment.

Western trading interests operating in Cuba's centralised economy accept that business on an individual basis, must be at small levels.

The British companies, for example, say they are individually doing business at annual levels ranging between less than £100,000 and £1m to £2m.

Similar experiences have ben found by Canadian trade officials in Havana, who have been handling up to one mission a month in the past 18 months.

Canada, through more than 10 years of solid tourism links, has become Cuba's largest Western trading partner with exports at $295.3m in 1983 and estimated to be 3 per cent higher last year.

They are dominated by wheat, other agricultural goods and timber products with chemicals and manufactures at 7 per cent of the total. Canada's imports from Cuba were worth $55m.

Britain's export trade share, mostly in manufactures, was worth £64m in 1984, leaving the UK on a reasonably equal footing with other competitors, such as Spain, France, Germany, Italy and Japan.

Spain is Cuba's largest Western export market, largely on the strength of rum and tobacco products, and is the only Western trading partner with which Cuba enjoys a surplus.

Lord Selsdon, financial adviser to the Midland Bank, who was the tour leader, said it was important for Britain substantially to boost its imports of Cuban products as this would help British exporters carve a niche in the only market in the Western hemisphere not served by the U.S.

These goods could include such items as honey, rum, molasses, oil and sugar, much of which could be moved to other markets with Britain serving as an entrepôt.

Western trade specialists believe efforts to help the Cubans find markets could, in the long term, lead to major infrastructure projects in Cuba, currently dominated by Soviet and Eastern European state industries. The most immediate potential is in the hotels and service sector.

But one which caught the eye of Lord Seldson was the recently prepared plan to overhaul Havana's sewage system.

It was Lord Selsdon who spearheaded creation of the British consortium which has won several hundred millions of pounds in contracts for the Cairo Wastewater Project.

Tokyo sets seal on U.S. steel pact

THE JAPANESE Cabinet yesterday approved a five-year plan to cut steel shipments to the U.S. from 6.3 per cent to 5.8 per cent of the U.S. market, AP reports from Tokyo.

Japan is one of nine steel exporters Washington has persuaded since last September to reduce shipments and help cut the foreign share of the U.S. steel market from about 25 per cent to about 18.5 per cent.

The foreign ministry said Japan would limit exports of six steel categories—sheet and strip, plate, structural, bar, pipe and tube, and wire.

The pact, retroactive to October 1, 1984, will also reduce the export of fabricated steel structures, to 100,000 short tons a year.

Japan agreed in December to reduce its exports

● MORE THAN half the members of the U.S. Senate have signed a letter sent to Mr John Block, U.S. Agriculture Secretary, urging the U.S. Administration to resume mixed credit sales of U.S. farm products to foreign buyers.

These credits are designed to make U.S. products more attractive. Normal commercial credits are mixed with government money appropriated for international aid, so that the foreign purchaser obtained the goods at a lower cost. Other governments, especially France, use such credits frequently. The U.S. has not done so recently.

Hi-tech go-ahead 'might have saved Russia $13bn'

BY DAVID BUCHAN

THE SOVIET Union might have saved itself up to $13bn (£10.8bn) in weapons development costs if the U.S. Government had approved some 79 export licences requested in 1983-84 for electronic high-technology sales to Moscow.

This assessment comes in a study released this week by the U.S. Defence Department and is designed to bolster its case for tougher U.S. and allied export controls.

The study, conducted for the Defence Department by a private Maryland research firm, is the first Western attempt to assess the financial impact of the technology drain to the East.

Tighter allied export curbs were agreed last year in the Coordinating Committee (CoCom)—the Paris-based group which supervises high-technology exports to the Eastern bloc—but Congress has yet to finish its review of U.S. national export control legislation.

The report studied the 79 most sensitive licensing requests of the 2,000 handled by the Defence Department in 1983-84.

These concerned telecommunications, micro-electronics, computers and anti-submarine warfare technology.

The sale of this equipment and "know-how" "could have provided a major increase in Soviet military potential in the 1990s and beyond" and might have saved Moscow between $6.6bn and $13.3bn in development costs over the life span of the weapons involved.

The 15 CoCom member-countries—most Nato countries plus Japan—might have had to spend a slightly larger amount, ranging from $7.3bn to $14.6bn. to compensate for these Soviet gains. the study claimed.

Such quantitative assessment. however, is based on a number of risky assumptions that for instance, the Soviet Union would use Western technology in precisely the way that the West does and that Soviet and U.S. defence costs are comparable.

But the likelihood that there are very real Soviet military gains from Western technology, though on a much smaller scale than suggested by the U.S. Defence Department, was recently underscored by the leaking to the French Press of apparently genuine Soviet documents obtained by French intelligence in 1983 when some 47 Soviet officials were expelled for alleged spying.

This assessment by the Soviet military industries commission, the VPK, put the value to Soviet aviation of acquisitions of Western technology at roubles 48.6m (£47.8m) in 1979 and at roubles 18.8m (£18.5m) in 1978.

Foreign car makers win back lost ground in Italy

BY JAMES BUXTON IN ROME

FOREIGN car manufacturers have this year been winning back ground which they lost in the Italian market since 1983.

Their share of the market, for the four months to April, was 39.2 per cent, compared with 35.6 per cent over the same period of 1984.

Renault, the leading foreign car manufacturer on the Italian market, won 10.45 per cent, compared with 9.48 per cent in the first four months of last year.

Volkswagen won 6 per cent of the market in the first four months this year, compared with around 4 per cent in the same period of 1984.

Among the Italian producers Fiat and Alfa Romeo both fell back. Fiat dropped from 46.55 per cent in the first four months of 1984 to 43.85 per cent in the first four months of 1985.

Alfa Romeo went down from 7.76 per cent in 1984 to 6.79 per cent in the same period of this year. Lancia/Autobianchi, part of the Fiat group, rose marginally from 8.5 per cent to 8.95 per cent.

The introduction of the Fiat Uno by Fiat and of new Alfa Romeo models in 1983 and 1984 enabled Italian car makers to push their share of the Italian market up by about four percentage points in those years, compared with their performance earlier in the decade.

But now the foreign manufacturers are fighting back, notably Renault with its new Renault-5 which is extremely competitively priced in Italy.

Europe's diesel car sales 'could reach 2m a year'

BY JOHN GRIFFITHS

ANNUAL DIESEL car sales in Western Europe could reach 2m, or 20 per cent of the total new car market, before the end of the decade, according to a report from Automotive Industry Data (AID)*.

Sales leaped last year by 30.8 per cent to reach 1.36m, according to the statistical group's latest newsletter.

It adds that the 7.3m diesel cars on the region's roads and the expected continued fast growth are "creating a mighty market potential for the after-sales market participant, with particular emphasis on fuel injection systems, service and parts supply.

"The point is clearly underlined in repect of the availability of fuel injection pumps, for supply is reaching dangerously low levels and demand is threatening to exceed supply for the right equipment."

AID says that even the oil companies have been caught unprepared for the upsurge in diesel sales, particularly in the UK and Switzerland.

This leaves "the fuel supply network with a lot of catching up to do in order to guarantee easy and convenient availability of diesel fuel."

Diesel car penetration of the West European market reached 13.77 per cent last year, representing 561 per cent growth from the 2.61 per cent penetration of 10 years earlier, AID points out. The group says that a brief setback in 1983, when sales and penetration fell, was mainly the result of the relative cheapness of petrol at that time. Last year's resurgence, it adds, had confounded views that "the diesel bubble had burst."

AID says diesels have changed "the entire outlook on the European automotive scene," and that manufacturers who had been slow to follow the trend are taking rapid remedial steps.

As a result, there would be "a flurry" of new models into the market this year — AID identifies 20 to be launched before 1986 — which would be certain to expand sales further at the expense of petrol-powered cars.

* *Automotive Industry Data newsletter 8508, 34 St John Street, Lichfield, Staffs WS13 6PB.*

Vietnam tackles its energy shortage

By Chris Sherwell, recently in Hanoi

STREET LIGHTS burn dimly in Hanoi and Ho Chi Minh City. Barely a day goes by without factory black-outs caused by power cuts. Petrol stations do not exist. Vietnam is energy-short, and progress towards remedying the problem is slow.

The official explanation is simple. The country has had decades of war, and failed to exploit its own resources. According to Mr Tran Phuong, Vice Premier with special responsibility for the economy, that is now changing. Strong efforts are being made to develop energy supplies, to save precious foreign exchange and reduce outside dependence.

Vietnam's main domestic energy source is still coal, as it has been for ages. But hydro-electric power is being developed, and there is an offshore oil and gas exploration programme. Mr Tran Phuong even likes to talk of a Vietnamese nuclear station in the 1990s.

Annual coal production has stagnated in recent years, at 5-6m tonnes. The mines, which are in the north, use outdated equipment and some were destroyed or damaged during the 1979 border war with China, Vietnam's northern neighbour. A large share of the output consists of dust coal.

Officials say new mines will come on stream as older ones are exhausted. The hope is that productivity will also be raised, through the use of more modern equipment supplied by two new engineering plants built with Soviet assistance. But production may not rise substantially before the 1990s.

Proven recoverable reserves are put at around 130m tonnes. Several hundred thousand tonnes of coal are usually exported, providing much needed foreign exchange. But the export volume fell in 1982 and again in 1983.

Major markets like Japan declined because they have the technology to use lower quality coal than Vietnam's low sulphur high ash coal, and Vietnam has failed to develop alternative markets. Indeed, it also imports special grade Australian coal, in exchange for shrimps.

Coal is helping to alleviate Vietnam's dire power shortage through its use in new thermal plants. For example, it fuels the 28MW station built as part of the Swedish-financed pulp and paper mill in Vinh Phu province. The station uses fluidised bed combustion technology.

Another, much larger thermal plant—a 500 MW station at Pha Lai—was inaugurated in 1983, and the Government is now talking of a 1,200 MW thermal plant south in Danang, built with equipment and aid from Czechoslovakia.

Pha Lai is one of three major power plants built or under construction with aid from the Soviet Union, and officials believe that many of the country's production problems will end when these are fully onstream by the early 1990s. The other two—a 1,900 MW facility at Hoa Binh on the Black River north of Hanoi, and a 300MW facility at Tri An in the south—are both hydro-electric projects.

Hoa Binh, dubbed by some as Asia's Aswan Dam, is reckoned to be the largest power plant in South-East Asia. It is built underground, making it less vulnerable to attack. Thousands of Vietnamese workers, helped by Soviet advisers, are being employed to get the first generators started in 1987. Completion is currently set for 1991.

It is not clear what has gone wrong, if anything, but oil self-sufficiency is still some way ahead

The Tri An plant is 60km south of Ho Chi Minh City (formerly Saigon), in an area reputedly damaged by American chemical weapons in the war against the U.S.-backed regime in South Vietnam. The first turbine is scheduled to start by 1987, with completion by 1990. The dam will also be used to irrigate 200,000 hectares of land.

The Government hopes that the hydro plants, together with the development of smaller-scale hydro projects, will allow the diversion of more coal for export and help save on oil imports.

The bulk of Vietnam's oil comes from the Soviet Union at an estimated rate of 1.6-1.7m tonnes a year. It is not clear precisely what Vietnam's arrangements are for these purchases, but Moscow allows deferred payments and it is assumed Hanoi will pay in discovered oil, if not in goods or cash. With foreign exchange reserves at little over U.S.$16m, cash or near-cash payments are unlikely.

The position is almost certainly different with a second, smaller source, namely Singapore, whose trade figures show its main domestic export to Vietnam as mineral fuels. In addition, according to one Vietnamese, at least one state enterprise under the control of government ministry is earning foreign exchange through a Japanese programme in neighbouring Laos, and this hard currency is used to purchase oil from the Middle East. This information, however, has not been confirmed.

Though the supply of oil and oil products is state-controlled in Vietnam—there are no private cars and petrol stations are nowhere to be seen—the number of privately-owned motorcycles, especially in Ho Chi Minh City, suggests that control is less than total. Indeed, officials admit that government supplies are siphoned off for sale to traders in the free market.

As for Vietnam's own resources, before the fall of Saigon in April 1975 several Western oil companies had begun exploring for oil and gas off Vung Tau on the southern coast. Some of these negotiated contract with the Vietnamese authorities after 1975, but the last left by 1981, apparently because of disappointing results and high costs.

That year, Hanoi and Moscow signed an oil co-operation agreement. In 1983 Mr Nguyen Co Thach, Vietnam's Foreign Minister, claimed that Vietnam would have its first oil by the end of the year. The country, he said, would be self-sufficient by 1985 or 1986, and begin exporting in 1990.

This schedule is now officially admitted to be way off target, but it is not clear what has gone wrong, if anything. Some people believe the attractions of U.S. offshore expertise, widely thought to be ahead of the Soviet Union, are one reason why Vietnam would like to see more normal relations with Washington.

Others wonder about the true resource position. On reserves officials will say only that latest indications point to domestic oil production of "many million tons per year" and reserves of "many hundreds of millions of tons," giving no precise estimates or explanations.

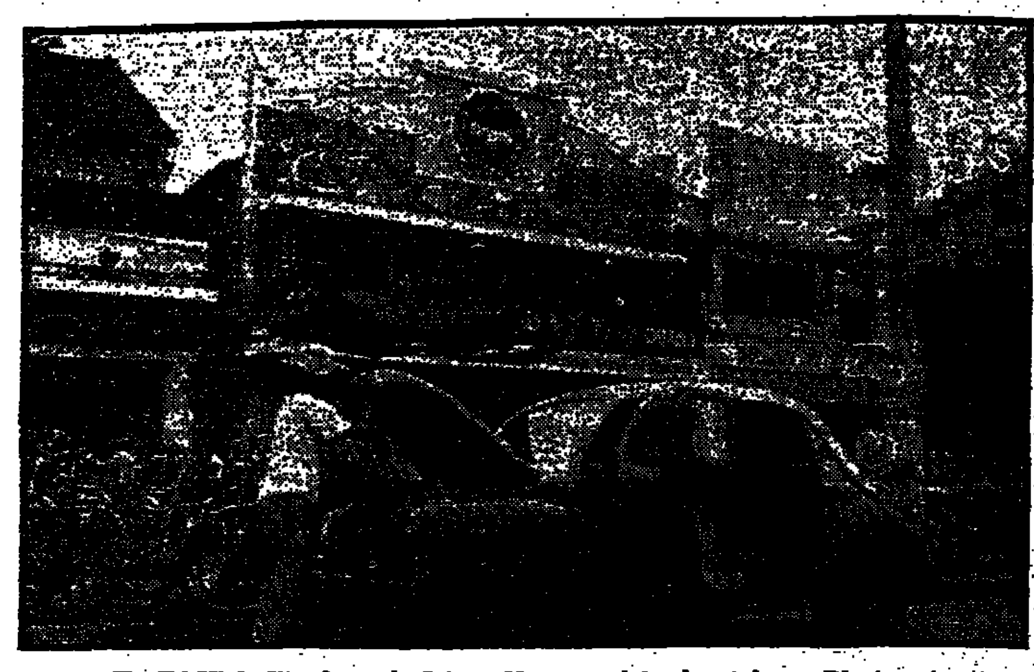
Recently, Mr Tran Phuong told the foreign Press in Hanoi that there were two rigs now operating, capable of producing a "few thousand" tons per year, and that Vietnam intended to put up "dozens" of rigs. He was speaking around the time of a visit to Vietnam by M Jean-Baptiste Doumeng, the French businessman with Communist connections. He concluded a complex $200m deal involving offshore oil equipment for Vietnam.

The Minister also claimed that some natural gas reserves had been found in the north, and said he hoped Vietnam would in the 1990s have a 440MW nuclear power station of the kind Comecon the East bloc trading group, used. This would be sited near an old nuclear energy research centre in the south, at Da Lat.

By that time, according to official calculations, hydro resources in the south will have been fully exploited. In the north, on the other hand, the region's power needs will be adequately met with thermal and hydro power.

At any rate, it is clear that Vietnam, as one of the poorest and least developed countries in the world, has a long way to go in the energy field if it hopes to compete with its non-communist neighbours.

The immediate objective of putting an end to power shortdemand is likely to grow, and the longer-term picture is less clear.



Ho Chi Minh City, formerly Saigon. Now petrol is almost impossible to get

APPOINTMENTS

Managing director for Bowater-Scott

BOWATER INDUSTRIES AND SCOTT PAPER have appointed Mr Robert E. Rodgers as managing director of Bowater-Scott from June 1. He has been deputy managing director of Bowater-Scott since early 1984, having previously held senior appointments within Scott Paper. Mr Rodgers succeeds Mr Robert J. Healey who returns to Scott Paper in Philadelphia, prior to retirement at the end of 1985.

★

Mr David W. N. Landale has been appointed chairman of TIMBER GROWERS UNITED KINGDOM, the Government-recognised body representing private woodland owners. He takes over from Mr J. M. G. Galbraith.

★

Mr P. A. Randall has joined the partnership of T. G. ARTHUR & CO, independent consulting actuaries. Mr G. H. M. Goddard has resigned.

★

SUMITOMO TRUST has opened a wholly owned subsidiary in Luxembourg, Sumitomo Trust and Banking (Luxembourg) S.A. The chairman is Mr Masanao Matsunaga, who is also chairman of Sumitomo Trust International in London. The general manager, Mr Masatsuki Esaki, has been promoted from London where he was deputy managing director of Sumitomo Trust International.

★

PANNELL KERR FORSTER has appointed four new partners: Mr Andrew Wilkinson in Belfast; Mr John Thompson in Derby; Mr Bryan Jackson in Glasgow; and Mr Michael Page in Bristol.

★

Mr Colin James has been appointed a director of MARLEY. He remains company secretary.

★

The STEEL WINDOW ASSOCIATION has elected as president from June 21 Mr I. D. Collin, Crittall Windows, and Mr S. K. Evans, Cotswold Casements, will be the new vice-president.

★

SUTER has appointed Mr Robert Morris as managing director of its newly formed distribution group. He is currently managing director of Nationwide Refrigeration Supplies, a wholly owned Suter subsidiary. Mr Morris has also joined the board of Suter Equipment and will assume full responsibility later in the year upon the retirement of the current managing director, Mr Bernard Mondy, who is also a member of the Suter main board.

★

THE CHARTERED ASSOCIATION OF CERTIFIED ACCOUNTANTS has elected to serve for the year 1985-86: Mr P. T. Hobkinson as president; Mr N. Cannon as deputy president; and Mr S. Thomson as vice-president.

★

Mr Barrie Murray-Upton has been appointed UK and European managing director of CADNETIX, of the U.S. The appointment follows the opening of the first overseas subsidiary in the UK based in Gloucestershire. Mr Ian Yates has been appointed UK and European director of marketing.

★

Mr Michael Seah has been appointed sales/marketing director of REED ASIAN PUBLISHING (PTE), Singapore. The company has been set up by Business Press International to represent its three Asian trade journals: Asian Building and Construction, Asian Electricity and Far East Health.

★

Following the purchase of CENTURY ALUMINIUM from the Amari Group by ASV of Norway, Mr Jon Kvam and Mr Knut Preus of ASV have joined the board. Resignations have been accepted from Mr A. Miller and Mr A. R. Merrington of the Amari Group, and from Mr Bill Meredith who has retired from Century.

★

Mr E. J. Jordan, chief executive of Henry Bath and Son, has been appointed to the board of the METAL MARKET AND EXCHANGE COMPANY.

★

Mr David Broughton, director of BIS Applied Systems' MODUS division and the man behind the development and marketing of the BIS/IPSE (Integrated Project Support Envinorment), has been appointed an executive director of the company.

★

Mintex Don board formed

Following the acquisition by BBA Group of Cape Industries' automotive business, the board of the new company, MINTEX DON, has been appointed. Chairman will be Dr J. G. White, who is group managing director of BBA Group. Mr J. V. Bedford becomes managing director. The other executive board members are: Mr G. Cartwright, manufacturing and deputy managing director; Mr M. R. Black, finance: Mr J. K. Clayton, operations; Dr D. Moran, R and D. Two non-executive directors are Mr M. L. Bentley and Herr H. Siersleben, chief executive, Textar.

★

Mr Bryan Benn, chief accountant, has been appointed chief internal auditor at BRITISH RAILWAYS board headquarters. He succeeds Mr D. J. Coates, who held the post on secondment from Peat, Marwick Mitchell and Co and has now returned to that firm. Mr Benn takes up his new duties on June 1.

★

Mr Dennis Hutchings has been elected president of the FREIGHT TRANSPORT ASSOCIATION for 1985-86. Mr Hutchings, who is group transport co-ordinator, Thorn EMI, was first elected president for the year 1984-85. Vice-chairmen are Mr Fraser Menzies, director of distribution, Reckitt and Colman, and Mr Stuart Phillips, distribution director, Rank Hovis. Honorary treasurer is Mr Robert Donald, director, transport group, Dairy Cress Foods.

★

Mr Gerard W. C. Lemmens has joined GEBRUEDER HESSELBERGER, hop merchants, as joint managing director.

TECHNOLOGY

EDITED BY ALAN CANE

Manufacturing automation: How to make it work

INTEGRATED Manufacture is to computer integrated manufacture as competing in a Grand Prix championship is to developing racing cars.

So argues Ingersoll Engineers in the introductory chapters of a new report which weighs manufacturing automation worldwide in the balance — and finds it wanting.

Computers, it says, have proved themselves in the fight to drive down costs and improve efficiency yet the survey showed that intergration of businesses through the widespread and dedicated use of computers hardly exists at all.

"Very few companies," it says "have what might be described as compelling shop window installations running at a level sufficient to stimulate interest and application. And many other systems, parts of which may be operating under computer control, do not live up to the integrated manufacture requirements of simplicity and lower production cost."

Depressing findings, these, after so many years in which computer integrated manufacture (CIM) has been hailed as the way forward in manufacturing technology.

Ingersoll is careful to make clear, however, that it believes implementation is at fault rather than the basic concept.

Its own surveys showed that where CIM had been properly implemented reductions of up to 30 per cent in engineering design cost could be obtained, lead times could be slashed by 60 per cent and product quality, as measured by yields of acceptable product could be increased up to five times.

Other advantages included: productivity of capital equipment increased by two to three times, work in progress reduced by 30-60 per cent and up to a fifth reduction in personnel costs.

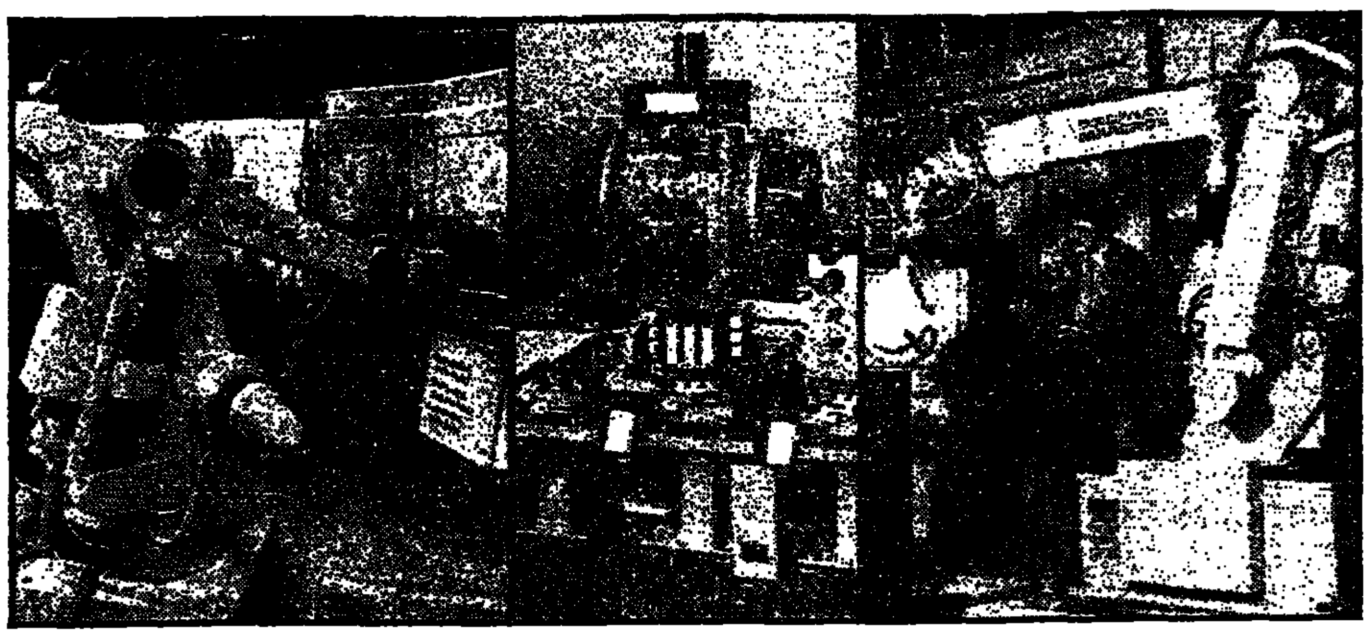
So Ingersoll would seem to be right when its says that CIM is the most important enabling technology available to revitalise manufacturing industry.

So what is going wrong? Why is manufacturing industry world-wide apperently failing to exploit the benefits of CIM?

First, some definitions. Integrated manufacture is a business philosophy defined by Ingersoll as "forcing out unnecessary waste by reducing complexity and cost while improving quality in order to be much more competitive."

CIM is the enabling technology that makes integrated manufacture possible. Ingersoll argues that CIM is not easily understood, that it is an intangible concept with many definitions depending on the standpoint of the protagonist.

Nevertheless, it can be understood at one level as the use of a computer, or series on intercommunicating computers, to hold and process all the information about the manufacturing process from receipt of order and raw materials ordering to despatch of the finished product and credit control.



Robots and a flexible machining system: Can they really be integrated in the factory of the future?

To integrate so many different processes and operations is very difficult and is one of the chief reasons why there are so few fully operational CIM systems.

The Ingersoll report says: "First simplify; second integrate and then apply CIM technology as appropriate.

"Manufacturing organisations are complex" it says "Despite all the advances made in recent years to improve manufacturing processes—automation, administration, design techniques and so on—understanding and controlling the entire manufacturing process is now so complex that no one person can manage it in any but the smallest firm."

Why computerise in the first place? Ingersoll queries. There may be areas where manufal systems will do the job better.

Integrated manufacture should encompass the whole *business, embracing* all the processes in making and selling products successfully—marketing, sales, design, engineering, production, accounting and finance.

Nevertheless, a series of case studies indicates the power that the computer can exert on the manufacturing process. For *example:*

● A $750,000 machine tool for boring six-cylinder Cummins diesel engines was in trouble. The bore shapes it was producing were inaccurate and engineering analysis and trial and error procedures had failed to locate or correct the problem.

A *computer program* was written to simulate the operation of the machine, creating the shape of the bores on a visual display. Experiments with the simulation showed that at a certain point, it became clear that reversing the spindle direction did not change the relative places of the faulty bores

This clue pointed the way to the problem and its solution, a solution which would not have been possible without the computer

● Ingersoll studied some 40 companies manufacturing engineering products with turnovers of between £2m and £20m.

The analysis of these companies, all of which had invested in some elements of CIM, showed that a typical payback period *for* computer production and inventory control was six months to one year, for computer aided design, six months to 18 months and for complete flexible machining systems, three to seven years.

How, then, should a company plan to integrate its manufacturing operations? "This report advocates that integrated manufacturing is approached, not as a combination of existing or known technologies and equipment that must be linked together, but rather from first principles, by examining all aspects of a total business—its future, markets, people, manufacturing and products—and combining them in a new way to meet long-term business objectives."

The report emphasises the *importance of keeping the project* simple: "The key features will be simplicity, practicality and attention to detail. Attention to detail must be absolute *and cannot* be *avoided.*"

A detailed plan is required to manage the project through its separate phases and adequate resources must be available: "To attempt *implementation* without these will reduce significantly the chances of success."

But if there is little experience world wide in implement*ing total integration systems*, there is plenty of expertise in project management: "All the skill required to implement CIM projects are available—it *is only the definition of the project* which is different."

Integrated Manufacture, £65, IFS Publications.

Alan Cane

Japanese novelties for the motorist

BY GEOFFREY CHARLISH

WHAT PRICE a raindrop sensor that will control a car's wipers automatically, depending on the amount of rain, or a device that will directly sense air temperature and mechanically brake the cooling fan in very cold climates?

Usually, the world's car makers do not readily reveal developments based on novel materials before the production stage. But Nissan of Japan has just published details of about 30 vehicle novelties using materials ranging from fine ceramics to light-guiding plastics that transmit signals from moving parts.

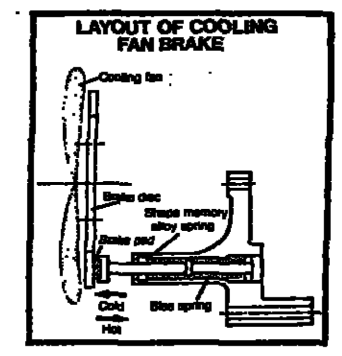
The wiper control is already in several Nissan models. It uses barium titanate piezoelectric material to "listen" to the intensity of raindrops falling on its surface. The impacts become electrical signals which can be used to control the intermittent operation time of the wipers.

The fan brake, still experimental, uses one of the nickel/titanium "shape" alloys that are able to "remember" what shape they were given at lower temperatures. In this case a spring made of the metal expands when cooled down and presses a shoe against a brake ring on the fan, reducing engine cooling. The device differs from previously announced actuators which need heating currents — Nissan's device is self-contained.

Transmitting signals from steering wheels normally means using slip rings—rings of metal to which fixed contacts on the column make contact. The Japanese company's answer is to use a photoconductive plastic ring for sending and receiving optically multiplexed light signals originating from controls on the moving wheel. Troublesome electrical contacts have been done away with.

Ceramics are planned, or are in use in various components. For example, silicon nitride and other highly wear-resistant materials have been applied experimentally to rocker arms, to cope with the higher operating speeds of engines and exhaust gas re-circulation in diesel engines. The weight of turbocharger rotors has been reduced using the same material.

LAYOUT OF COOLING FAN BRAKE



Nissan also reports it is working on the use of carbon fibre reinforced epoxy resin for propellor shafts, resulting in greatly improved levels of vibration. Similar reinforcement using glass fibre is being developed for leaf springs in suspensions. The weight is 80 per cent that of a steel spring and due to a low spring rate, a more comfortable ride is claimed.

New expert system shell devised for the layman

BY BRUCE ANDREWS

AN EASY-TO-USE expert system "shell," called "Xi," for professional personal computers, is expected to be available next month. The price will be £495.

Produced by Expertech, of Slough, Bucks, Xi is based on PROPS, a development tool devised by the expert systems research team of the Imperial Cancer Research Fund, under Dr John Fox. Expertech was granted the licence to exploit PROPS last October.

Progress in developing PROPS for use by the layman has been fast. Its launch will be six months ahead of Expertech's original schedule.

"It became clear that we had the opportunity of producing a new kind of tool for building business applications," said Alex d'Agapeyeff, Expertech chairman. "This will amount to a VisiCalc of expert systems and enable office staff to experiment with and to learn about this technique for exploiting their own knowledge, without specialised training."

The program is written in the artificial intelligence language Prolog but knowledge bases may be created in English without any programming knowledge at all, the company claims. It runs on *MS/DOS* and needs a minimum random access memory (RAM) of 384K. This means it may be used on many of the personal computers used by business today.

Xi uses powerful inferring techniques, say the developers, including forward and backward reasoning. Rules in English generate menus and the user may seek advice using familiar-looking displays. He may ask Xi "Why?" when Xi asks a *question or gives a conclusion* and Xi will explain itself in terms of the rules it has been given. The user may vary his inquiry at any time with a "What-if?" facility.

Expertech hopes that Xi will be used, initially, to take over mundane office tasks. Examples given are company expenses rules, commission systems, safety regulations, and the procedures for obtaining statutory sick pay, where small claims are often ignored at present because of the time it takes to work them out. Book-keeping systems, auditing procedures and balance sheet analysis are other possibilities.

From experience with comparatively simple applications, Xi users are expected to gain the skill to store the specialised knowledge of company experts ("rare skills archiving").

The limitations of Xi, according to Expertech, are largely governed by RAM and disk capacity. In practice, it might be hard to build a knowledge base using more than about 300 rules at any one time, given the memory limitations of the average office micro.

But where a knowledge base requires more than 300 rules, and rules proliferate as a base is developed and refined, it is possible to create a series of *discreet but inter-related* knowledge modules. An advice system on Xi for a complex subject such as corporate taxation might require as many as 10 modules. Since storage capacity sets the module limit, a Winchester disc-drive is an obvious advantage.

The developers acknowledge another limitation: it is difficult to integrate Xi with other software. It will be upgraded in about three months, they *promise*, to achieve *full* integration.

UK NEWS

New Tory pressure group urges change of course

BY PETER RIDDELL, POLITICAL EDITOR

MR FRANCIS PYM, the former Foreign Secretary, yesterday formally launched Conservative Centre Forward, the new pressure group of Tory MPs, with a pessimistic review of the results of current government policy and a plea for a change of course.

The grouping, consisting of about 32 MPs on the liberal wing of the Conservative Party, was made known at the weekend. But Mr Pym – who was sacked from the Cabinet by Mrs Margaret Thatcher, the Prime Minister, after the 1983 Falklands war – last night gave the first full explanation of its aims.

Mr Pym said the MPs believed there was "a need for a less deflationary fiscal policy, a comprehensive strategy to tackle unemployment, more direct action to improve the competitiveness of industry, a stronger regional policy, greater encouragement to private and public sector investment, a coherent exchange rate policy and a more sympathetic social policy."

It became clear at Westminster last night, however, that the new group has failed to attract a number of senior mainstream backbenchers, while there are divisions among the advocates of traditional "one-nation" Toryism.

For instance, ex-ministers such as Mr James Prior, Mr David Howell, Mr Terence Higgins, are not involved and in most cases were not approached. It is also significant that Mr Nigel Forman, who has taken an active part in the recent party debates on the economy, has decided not to join although he is sympathetic to its aims.

Moreover, at least one and possibly more of the original sponsors have withdrawn since the advance publicity about the group in the last few days. This is because of worries that the creation of an apparent party within a party would make it much more difficult to persuade MPs in the middle ground of the Conservative party.

Francis Pym: leader of Centre Forward

In particular, there is concern that talk of the group voting against the Government might have little impact and might make it easier for ministers to dismiss the group's ideas.

These reservations over the suggested tactical approach of the group highlight the doubts of some one-nation Tories, including a number of experienced backbenchers who are undecided about whether to join.

Mr Pym was careful not to discuss possible rebellions in his speech last night, made to Oxford University Law Society and entitled "A Conservative Future." The speech stressed both what the group has in common with the Government as well as its disagreements. He said that the MP's "prime concern was with the prospects for the Conservative Party today. When we consider the alternatives on offer, the continuance of a Conservative Government becomes even more imperative."

He warned, however, that with "every new reminder of the failure of present policy, with every refusal to listen to any other point of view, with every act of distance from the feelings and instincts of its own supporters and of the British people as a whole, this Conservative Government has been giving round after round of ammunition to its political opponents. It stands in danger of being sunk by its own shells."

Mr Pym said the group agreed with much of the Government's analysis and objectives, but he painted a very gloomy picture of what had happened to the economy. He said that without North Sea Oil there would have been almost no growth overall. Unemployment had tripled and was still rising, and British industry was less competitive compared with many other leading countries. Of the seven summit nations, only Italy had an appreciably worse recent record on unemployment and competitiveness.

He accused the Government of imprisoning itself in a ideological straitjacket. He said the group "does not accept the Government's explanation for the causes of inflation, or its extreme aversion to borrowing or its ideological bias against involvement in industry.

"We do not believe that inflation is caused primarily by an expansion of the monetary supply. But instead it seems to us that the factors that cause prices to rise are those that are causing the costs of producing goods or services to rise."

Mr Pym denied that the MPs were calling for massive reflation

Editorial comment, Page 20

Lloyd's may launch 'lifeboat' company for Minet syndicate

BY JOHN MOORE, CITY CORRESPONDENT

A "LIFEBOAT" management company may be formed by Lloyd's the London insurance market, to look after the affairs of 1,525 underwriting members hit by at least £130m of losses.

Mr Ian Hay Davison, Lloyd's chief executive, said yesterday that "if all else fails" then Lloyd's will form its own management company to look after the affairs of the stricken underwriting members.

Mr Davison was speaking yesterday after the revelation by the Richard Beckett Underwriting Agency, which forms part of Minet Holdings, that its underwriting members, whose affairs it manages, face huge losses from insurance trading.

Minet, one of Britain's largest insurance brokers, is to close the agency by the end of the year and the underwriting members will have to find new management for their affairs.

In Lloyd's it is feared that the uncertainty surrounding the financial affairs of the members will deter other underwriting agents from taking over the management.

If Lloyd's were to form a company to take on the management of the underwriting members it would not be without precedent. At the end of the 1970s Lloyd's formed two companies, Additional Underwriting Agencies No. 1 and Additional Underwriting Agencies No. 2, to deal with problems arising on the Sasse syndicate of underwriting members, which faced £20m of losses and troubles surrounding syndicates under the management of the Ashby underwriting agency.

Executives of the Richard Beckett agency were yesterday locked in talks with Mr Davison and other Lloyd's officials about the future of the agency and the members and the losses which have emerged.

The agency is attempting to establish a "rescue" plan for the underwriting members whereby they would be asked to pay only £7m to £8m a year over a possible 20-year period to meet the cash requirements of the syndicates in which they are grouped. In this way they would not have to meet the bulk of the losses in the next few months.

Mr Davison ruled out the possibility of such a scheme yesterday at a press conference. The matter had been considered, he said, "but the members have to show each year that they can meet their future obligations."

Lloyd's members have to produce a certificate signed by an accountant each year demonstrating that they have enough money to pay their insurance claims on present and future losses. The underwriting members of the Beckett agency have until July 31 to show that they *can pay their insurance claims.*

Any member unable to meet his or her liabilities would be suspended from underwriting at Lloyd's. Policyholders who have been insured by the suspended underwriting member would be paid from a £167.2m central fund. Lloyd's would then seek the money from the underwriting member and take legal action, if necessary, to recover the funds.

Minet muddle, Page 12

Sharp to open UK microwave oven plant

By Robin Reeves

SHARP Corporation is to diversify into the manufacture of microwave ovens for the European market at its Wrexham video recorder plant in North Wales.

The Japanese-owned company plans to produce 120,000 microwave ovens in its first year, building up to 240,000 units a year by 1988. There will be 190 new jobs.

The diversification decision is unusually rapid for a Japanese manufacturing company in the UK and a significant boost for the Wrexham area, which has been hit by the latest Courtaulds' closures. It is only just over a year since Sharp first arrived in Wrexham to build its £15m video recorder manufacturing plant.

Video recorder production began in February at the rate of 3,500 units a month after a new factory had been completed by Fairclough Construction in 32 weeks. Output is due to rise rapidly to create 630 jobs in three years' time.

Initially, the two product ranges will be produced on the same premises. But microwave oven manufacturing is expected to be located ultimately in another factory, to be built alongside the video recorder plant.

In South Wales, Hitachi has begun recruiting up to 200 staff for the start of video recorder production at its Hirwaun plant.

The jobs will push employment at the factory, which has until now been dedicated to television production only, to just over 1,000, replacing half of the 400 jobs lost in redundancy at the plant last year.

Lords defeat attack on arts funding

By Kevin Brown

THE GOVERNMENT yesterday fought off an Opposition attack in the House of Lords on its proposal for the future of the arts after the abolition of the Greater London Council (GLC) and the six metropolitan county councils.

The Earl of Gowrie, the Arts Minister, said arts institutions had nothing to fear from the local Government Bill, which transfers responsibility for arts funding to borough and district councils, the Arts Council, and a number of other arts bodies.

Labour and Alliance peers claimed there would be a shortfall in arts financing and feared that local councils would be unwilling to replace funds provided by the abolished authorities.

A Labour amendment proposing a single London authority to run arts and recreation was defeated by 172 votes to 143, a Government majority of 29. An Alliance amendment proposing the transfer of arts and recreation responsibilities in the metropolitan counties to transitional joint boards was also lost.

The defeat of the amendments represented a substantial victory for the Government.

New York door-to-door.

May 1st sees the start of a unique new service from British Caledonian.

Not content with merely flying you across the Atlantic, we'll actually drive you to and from the airports as well.

The service is for First and Super Executive passengers, and all the extras are included in the fare.

Here's how it works.

We'll pick you up from your home or office anywhere within 40 miles of Gatwick.

We'll also pick you up within 20 miles of the airports at Glasgow, Edinburgh, Manchester or Birmingham, just as long as you're connecting with our New York service via British Caledonian Commuter.

(If you'd like to be picked up from further afield, we'll be more than happy to do so for a small excess mileage charge.)

Naturally, the transport will be in keeping with British Caledonian's reputation for comfort.

If you're flying Super Executive you can expect a Volvo 740 or an Audi 100, or a similar large saloon.

If you're flying First Class you can look forward to the comfort of a chauffeur driven limousine.

At the other end there'll be limos for both First and Super Executive passengers, to take you anywhere within 40 miles of central Manhattan.

Or, if you prefer, you can take the helicopter to a choice of four destinations: East 34th Street, The World Trade Center, Newark or La Guardia.

(That way you'll really get there chop chop.)

British Caledonian's New York flights depart Gatwick daily at 11.30, arriving 14.10.

Coming back, they depart JFK at 20.00, arriving 07.40—with the same door-to-door service both ends.

If you'd like to know more, simply send the coupon.

And within a few days you'll see a Guide to our New York door-to-door service on your doormat.

To: Mrs Lynn Hill, British Caledonian Airways, FREEPOST, Caledonian House, Crawley, W. Sussex RH10 2ZB. Please send me details of your New York door-to-door service.

Mr/Mrs/Miss ____________ FT9

Position in Company ____________

Company Address ____________

____

Postcode ____________

Tick the box for details of World of Business Travel ☐ Chieftain Club ☐

British Caledonian

We never forget you have a choice.

747's FROM JUNE 1st.

DUTCH GROUP WILL IMPORT WASHING MACHINES AND DRYERS

Philips to close white goods plant

BY CHRISTOPHER PARKES

PHILIPS, the Dutch electronics group, is to end the manufacture of washing machines and dryers in Britain. It said yesterday that it would close its factory in Halifax, northern England, over the next 12 months with the loss of 550 jobs.

Production for the British market is to be taken over by the company's giant plants in France, West Germany and Italy.

After pondering the move for two years, Philips concluded that the 14-year-old Yorkshire plant was too small and could not be extended to give the economies of scale necessary for profitable production. "The factory would have to be three to five times its current size for it to be viable," an official said.

There is about 20 per cent overcapacity in the European domestic appliance industry at present. "This has resulted in an extremely competitive situation and it is clear that production must be achieved in large manufacturing units where the required economies of scale can be gained," the company stated.

Market shares and production figures are jealously guarded secrets, although Philips is believed to hold a strong position in the UK home laundry business behind Hotpoint, Hoover, Indesit and Zanussi.

Philips said yesterday that it was preparing plans for an "aggressive expansion" of its slice of the British trade.

Mr Jim Collis, director general of the UK appliance makers' association, Amdea, said the closure would hamper British manufacturers' attempts to reduce imports.

BT beats loss of equipment monopoly

By Jason Crisp

BRITISH TELECOM (BT) has effectively beaten the Government's attempt to liberalise the market for private exchanges, the largest single sector in the telecommunications equipment business.

BT has been so successful in persuading organisations to buy exchanges (PABXs) and key systems in the last four years that demand is now expected to fall sharply, just as dozens of companies are entering the market.

A market study commissioned by some of the leading telecommunications companies shows that nearly 70 per cent of PABXs and key systems in Britain have been recently replaced with modern electronic equipment. In the year ended last March, BT held 90 per cent of the market for this equipment, according to the study by MZA, a specialist marketing consultancy.

As most organisations have recently replaced their exchanges, demand is expected to fall sharply from 98,000 units in 1984–85 to 21,000 in three years' time, according to MZA. It also predicts BT will retain an 82 per cent share of this much diminished market.

The report confirms that BT has moved very quickly to thwart the effects of losing its equipment monopoly, by selling equipment before the market was actually liberalised. Its position has been considerably strengthened by the long delays in the setting of technical standards and equipment approvals for competitors.

The study is particularly embarrassing for the Department of Trade and Industry which has been promoting liberalisation. PABXs and key systems account for 58 per cent of the British telephone attachment market worth £375m last year at manufacturers' prices. The Department recently tried to speed up the approvals process for PABXs being offered by 12 companies, including Ferranti-GTE, Northern Telecom, NEC and Rolm.

The report does show that liberalisation has been slightly more effective in the supply of telephones. BT still has an 82 per cent share, but this is expected to fall to 59 per cent in the year ending March 1988.

The UK Telephone Attachment Market, £2,950, from MZA, 36 The Green, Marlborough, Wiltshire.

A Wellcome curiosity for the stock market

BY TONY JACKSON

AMONG the world's big drug companies the Wellcome Foundation, which this week announced its intention to go public early next year, has one of the least public profiles.

This is largely because of its unusual structure – an essentially charitable organisation, owned by a trust which distributes all the profits derived from its ownership to medical research.

Now, however, the Wellcome Trust has announced its intention to sell off an initial 20 per cent of the Foundation in a London Stock Exchange flotation. This has no effect on the way the company itself is run. The Trust has simply decided that to carry on its charitable programme it would like to spread its sources of income, using the proceeds of the flotation to make investments elsewhere.

The decision does, however, push the company into the limelight, not least because the stock market is curious to know what it is to be offered. Wellcome is not easy to value in market terms; pharmaceutical companies, which tread a curious line between jackpot success and failure, seldom are. Early guesses of £1.5bn for the whole company seem exaggerated. A figure of close on £1bn, though, looks perfectly feasible.

Wellcome's reputation as a research outfit is beyond question. A number of highly distinguished figures have been involved with the company. Sir John Vane, whose work with Wellcome on prostaglandins won him a Nobel Prize, is still on the board. Sir James Black, who discovered the two presently best-selling drugs in the world – Smith Kline's Tagamet and ICI's Inderal – has just recently left the company.

The range of products is wide, though the great bulk of sales is in ethical drugs (the rest consists of over-the-counter drugs, animal health products – through a new joint venture with ICI – and insecticides). The therapeutic areas most emphasised by the company are anti-bacterial, muscle relaxants, anti-gout drugs and – most important latterly – the anti-herpes drug Zovirax.

Until recently, the profit record has been less satisfactory. Figures from stockbrokers de Zoete & Bevan indicate that whereas Wellcome's net return on capital in 1975 was 22 per cent – comparing well with Glaxo's 23 per cent and Beecham's 22 per cent – by 1981 the figure had slumped to 13 per cent, against Glaxo's 18 per cent and Beecham's 17 per cent.

The relative lack of profitability is not, perhaps, very difficult to explain. A hard-nosed attitude to profits does not sit easily with a structure of Wellcome's unique kind. Some of the company's work has had more to do with prestige than commercial success.

Prostaglandins, for instance – natural compounds which control chemical reactions in the body, and in which Wellcome is among the world's leaders – have never lived up to their commercial promise of a decade or so ago.

But Wellcome does have one particularly strong commercial asset – its long-standing position in the U.S. market, through its subsidiary Burroughs Wellcome. The U.S. market is perhaps the least regulated in the world in terms of the prices which can be charged for drugs, and U.S. pharmaceutical companies are typically the world's most profitable.

This is a strength on which Wellcome has lately started to capitalise. In the year to last August pre-tax profits for the group jumped by 46 per cent to £89.5m, on sales up 20 per cent at £806m. Sales in the U.S. alone jumped by 29 per cent, making up nearly half of the group total.

Wellcome chairman Mr Alfred Shepperd says: "The greater part of that was the introduction of Zovirax (the anti-herpes drug) in the U.S. for a full year. The strength of the dollar helped, but wasn't nearly as important."

And in the current year? Mr Shepperd will say nothing on likely profits, beyond saying that "we are expecting a comfortable increase." City of London analysts are pencilling in a figure for group pre-tax of £110–115m.

Virgin Atlantic expects surplus

BY ANDREW FISHER

VIRGIN ATLANTIC, the cut-price transatlantic airline, is looking for a second large aircraft to lease during the peak summer months and expects to make a "considerable profit" in its first full financial year to January 31, 1986, said Mr Richard Branson, the chairman.

The airline began operations last June, Mr Branson said it roughly broke even in the first six months. It operates a Boeing 747, charging £159 one-way from Gatwick Airport in the UK to Newark, in the U.S., and £119 for a return booked on the day of departure.

Mr Branson said that Virgin, which has carried 270,000 passengers since it was set up, hoped to lease another 747 or a DC10 for two or three days a week from next month. "We are pretty well sold out over the next four months to New York."

But the airline, part of the Virgin records and entertainments group, did not intend to go for major growth, he added. "Our expansion in the airline business will be slow, one step at a time."

The airline had decided to carry on for another 12 months from June, 1985, after the progress made in its first year. "We put our toe in the water and found the water was warm." Virgin still had the option of pulling out of any routes that did not make sense, he added.

It runs a daily £29 feeder service to Maastricht in Holland and can opt out at a week's notice, if necessary. Virgin is also considering a similar service to Dublin, with the same get-out provision.

During the quiet winter months, Virgin reduced its daily North American service to two flights weekly, thus cutting its losses and flying its aircraft 85 per cent full instead of only 30 per cent full. The service is now daily again.

Mr Branson reckoned demand across the Atlantic this year would be heavy. "It will be a wonderful summer on the North Atlantic." The airline had increased ticket sales to Americans and was now much better known

Higher spending raises optimism in retail trade

BY ROBIN PAULEY

CONSUMERS braved the exceptionally bad spring weather, ignored the rise in mortgage interest rates and continued to spend their money in Britain's retail stores at a very brisk rate throughout April.

Figures published by the Trade and Industry Department yesterday show that the volume of retail sales rose last month to a level bettered only by last December's Christmas boom.

The provisional estimate shows that sales rose by 0.5 per cent in April. This means that the level of sales in the three months to April remained at about the same level as the previous three months and was 4 per cent higher than in the same period last year.

This year's figures are exceptionally good news for retailers. After the Christmas boom sales suffered a very sharp slump in January, but this now seems to have been due to a combination of overspending at Christmas followed by freezing January weather and a 2 percentage point rise in interest rates rather than any reversal of the underlying propensity to spend.

Spending has been back on track since February and by last month the seasonally adjusted index measuring the volume of retail sales was back up to 114.4 (1980 = 100) compared with 113.8 in March, a record 115.6 in December and 110.7 in April last year.

The good April figures confirm the underlying trend indicated in other surveys, notably the CBI-Financial Times survey of retail trades, which suggests that the outlook for traders over the next few months remains buoyant. The high level of sales in April was across all sectors, food and non-food.

Another indicator of sustained consumer spending is the continuing high levels of credit finance and bank lending to individuals.

Lisa Wood writes: The Retail Consortium, which represents the majority of Britain's retailers said last night: "The whole of retailing is looking very healthy."

Rumbelows, the electrical goods chain, said the best performing areas had been small audio units and personal stereo sets, while the John Lewis department store said sales of home furnishing goods had improved by 22.7 per cent.

NUM EXECUTIVE VOTES TO DISMISS NOTTS OFFICIAL

Breakaway nears in pit union

BY PHILIP BASSETT, LABOUR CORRESPONDENT

PROSPECTS of a breakaway union in the mining industry grew significantly closer yesterday when leaders of the National Union of Mineworkers (NUM) voted to dismiss a leading official of the union's Nottinghamshire area, which worked virtually throughout the recent year-long pit strike.

The NUM's action against Mr Roy Lynk, Notts acting general secretary, came as miners in the area voted to resist rule changes seen as reducing the area's autonomy, in the clear knowledge that they were sanctioning a breakaway.

In the absence of Mr Arthur Scargill, NUM president, who was in London for a meeting with the National Coal Board (NCB) on details of a new colliery review procedure, the union's national executive at a special meeting in Sheffield, Yorkshire, considered charges against Mr Lynk and Mr David Prendergast, the Notts area pension secretary. They together led the working miners during the strike.

The executive voted by 10 votes to nine to recommend that the union's annual conference in six weeks' time should dismiss Mr Lynk, suspending him from office for three months from the date of the conference in lieu of his period of notice. By 18 votes to one, the executive decided only to reprimand Mr Prendergast.

The vote against Mr Lynk would probably have been larger at a normal executive meeting, since left-wingers such as Mr Owen Briscoe from Yorkshire and Mr Emlyn Williams from South Wales were not present. Mr Scargill's absence left Mr Mick McGahey, the union's vice-president, to chair the meeting, depriving him of a vote.

Mr Lynk said last night, in a bitter attack on Mr Ray Chadburn, his own area president, that if he had attended the meeting the vote would have been tied. There is no guarantee, however, that Mr Chadburn would have supported Mr Lynk.

Four specific charges of misconduct were levied against the two officials, including that they refused to implement rule changes decided by the national union. But in a letter from the union they were due to receive at their homes today, the NUM says that the recommendation has been made because the executive has "no faith in your loyalty to the union."

Formally, the union refused to discuss the issue after the executive meeting, with Mr McGahey, saying in a statement that it was a private matter discussing confidential business which would not be disclosed.

Mr Lynk described the decision to dismiss him as "childish" and "spoilt." He made it clear both that he would be taking up his seat on the union's national executive – to which he had been voted by NUM members in his area – after the conference in July.

He indicated that, when his period of threatened suspension expired, he would remain in his post by simply continuing to deduct his salary, roughly £17,500, from area subscriptions before passing them to national level.

Both officials insisted publicly that the decision did not necessarily bring the breakaway union any nearer. But they said that Notts miners and other union areas to which they are allied, including South Derbyshire, Leicestershire and the union's white-collar (non-manual) section, would support them.

Privately it is recognised in the union that if, as is likely, the decision is ratified by a simple majority of the left-dominated conference in July, it will further divide the union.

● A high court writ seeking extensive details of voting in the re-run election for the general secretary of the Transport and General Workers' Union – and in last year's disputed election – was served on the union last night by one of its members.

Among the claims is one for an injunction stopping the union from declaring a winner until details of the voting in both elections has been made known to members at branch levels.

Volvo importer sees pre-tax profits slip

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO Concessionaires, which imports Volvo cars to Britain, suffered from the extremely competitive conditions in the UK market last year and its pre-tax profit fell by 15 per cent, from £27.75m to £23.54m.

The company, however, maintained its dividend to the parent group, Lex Service, at £13m.

Volvo Concessionaires' net profit was nearly unchanged at £13.15m for 1984 against £13.682m the previous year. In 1983 there was an extraordinary charge of £1.979m while last year there was an extraordinary credit of £1m.

The group's turnover rose from £314.4m to £322m last year.

The directors point out that the UK new car market last year was even more competitive than in 1983, "with the major manufacturers fighting to achieve market share objectives through intense promotional activities and high discounting at the retail level."

Concessionaires, they say, refused to become embroiled in the worst excesses of the "disorderly market" to prevent Volvo used car values falling and thus to protect existing customers.

As a result its new car registrations fell by 3.6 per cent from the record 1983 level to 59,072, to give a marginally lower market share of 3.38 per cent against 3.42 per cent in 1983.

Mr Peter Turnbull, the joint chairman whose salary for 1984 from Concessionaires was £71,000, compared with an annual rate of £62,400 for the five months he was in office in 1983, has forecast that car sales this year will be 61,000.

The accounts show that Transfleet Services – a truck contract hire company which is 50 per cent owned by Lex Service and 50 per cent by the Lombard North Central finance house, but is listed as a Volvo Concessionaires subsidiary – suffered a loss of £1.373m last year against a profit of £1.5m in 1983.

Lex Vehicle Leasing, another Concessionaires subsidiary, increased its profit from £923,000 in 1983 to £2.951m last year.

Concessionaires will spend £11m during the coming two years on computer systems development and the expansion of its two import centres (Ipswich, Suffolk, and Immingham, Humberside), its dealer training centre and the head office at High Wycombe, Buckinghamshire.

Ford's van and truck output slips by 7%

BY OUR MOTOR INDUSTRY CORRESPONDENT

FORD'S POSITION as leading commercial vehicle producer in the UK is under threat from BL, the state-owned group.

In the first quarter of 1985 Ford's output fell by 7 per cent, or 2,095 vehicles, compared with the same months of 1984, to 27,831. Meanwhile, BL's companies all improved production from the first quarter of last year, and the group total moved ahead by 11.3 per cent, or 3,441 vehicles, to 24,034.

BL lost commercial vehicle production leadership to Ford in 1978. This year the state-owned company has the benefit of new Austin Rover vans and Land Rover four-wheel-drive vehicles as well as an improved Sherpa van range from Freight Rover at the lighter end of the market.

Leyland, the heavy vehicle producer, is beginning to feel the positive effects on output of the Roadrunner, its new entrant in the 6 to 10 tonnes sector, which accounts for one-third of demand in Britain for trucks of more than 3.5 tonnes gross weight.

In contrast, Ford's Cargo medium and heavy truck range has been losing market share in the UK, while the Transit van, for many years Britain's best-selling commercial vehicle, is now 21 years old and is expected to be replaced next year. The changeover to a new model will inevitably cut back Ford's van output.

In volume terms, the major contribution to BL's recovery in commercial vehicle output in the first quarter came from Austin Rover. The new Maestro van, launched last October to replace the old Morris van which was based on the Ital car, has boosted the Austin Rover total substantially by 938 vehicles, or 15.1 per cent.

However, Leyland Vehicles, the heavy truck and bus subsidiary, showed the biggest percentage gain with output up by 17.7 per cent or 602 vehicles to 3,996 in the quarter.

General Motors, the Bedford group, while well below BL and Ford so far this year, eventually might be a serious contender for top place in the UK production league.

Output of its new Midi van, based on an Isuzu vehicle and incorporating Japanese engine and gearbox, is only just beginning to pick up, and GM hopes to produce it at an annual rate of 20,000.

UK COMMERCIAL VEHICLE PRODUCTION (First Quarter)

Austin Rover	6,201	7,139
Land Rover	7,106	7,568
Freight Rover	4,892	5,331
Leyland	3,394	3,996
BL Total	21,593	24,034
Ford	29,926	27,831
GM (Bedford)	15,756	14,922
Reliant	79	27
ERF	436	597
Foden	212	158
Hestair Dennis	246	212
Metro-Cammel-W'man	101	128
Renault Truck Ind	1,027	1,347
Seddon Atkinson	369	422
Others	77	62
Total	69,852	69,740

Source: SMMT Monthly Statistical Review

GM is also considering producing at the Bedford van plant a micro van derived from a Suzuki vehicle. GM has shareholdings in both Suzuki and Isuzu and by building the vans in Britain can put them into Continental markets such as France and Italy so far closed to Japanese commercial vehicles.

Reports from Tokyo suggest that the micro van in which GM is interested is the "Every," which in Japan is equipped with an engine of only 550cc, but which would have an 800cc unit in the UK.

According to the statistics from the Society of Motor Manufacturers and Traders' Monthly Statistical Review, most of the UK-based heavy truck producers increased output in the first quarter compared with the same period of 1984. The exception was Foden, owned by Paccar of the U.S., with production down by 54 vehicles or 25.5 per cent to 158.

ERF showed the biggest percentage gain, by 37 per cent to 597 trucks, closely followed by Renault Truck Industries, the Renault-Dodge concern, with a jump of 31 per cent to 1,347 vehicles.

Total commercial vehicle output in the UK remains exceptionally depressed because of lack of export demand. In the first quarter production was down by 112 vehicles or 0.16 per cent from the 1984 level – and 1984 output proved to be the worst for 35 years.

UK NEWS

PRICE WATERHOUSE INVESTIGATES £130m LOSSES OF LLOYD'S SYNDICATE

'Muddle' alleged at Minet agency

BY JOHN MOORE, CITY CORRESPONDENT

PRICE WATERHOUSE, the accountancy firm, is uncovering an accounting muddle which may have contributed to the worsening problems of the Lloyd's underwriting members whose affairs are managed by interests of Minet Holdings, the insurance broker.

New details were emerging yesterday about the events which led up to the £130m losses now falling on the Lloyd's members.

So far, the official reason for the losses given by Minet's Richard Beckett underwriting agency is that huge insurance claims have arisen from product liability, pollution, medical malpractice, personal injury business and asbestosis claims, all largely from U.S. clients. These have led to a "dramatic deterioration" in the underwriting results.

Price Waterhouse is acting for a group of concerned underwriting members who have formed a steering committee to protect their interests. It has begun to unearth an accounting muddle within the agency which has had a dramatic effect on the results.

The problems now being discovered are linked to the troubles which surfaced in late 1982 when it was discovered by Minet executives that money had been misappropriated from the underwriting funds of the Lloyd's members by other senior executives.

By 1984 Minet had established that nearly £40m had disappeared from the members' funds to interests of Mr Peter Dixon and Mr Peter Cameron-Webb, managers of the group's PCW agency, and their associates. The money was used for the two men's personal benefit.

Minet discovered that the money had been channelled out of the group's syndicates under the guise of reinsurance, a common and respectable device in the insurance world to lay off risks.

A part of the members' business was reinsured via a company in Bermuda called Chiltern. The business was then channelled to companies in Gibraltar which it has since transpired were controlled by interests of Mr Cameron-Webb and Mr Dixon. Blanket reinsurance arrangements were made for members whose affairs were managed by the Minet's underwriting agency.

When Minet identified the full extent of the troubles, it sought to regularise the position and cancelled reinsurance programmes arranged by Mr Cameron-Webb and Mr Dixon.

Minet managed to recover £25m of the missing money and, together with Alexander & Alexander, another insurance broker whose Howden interests had been used to syphon off the money, put up another £13.7m to make good the loss to the members. In all, a near £40m compensation offer was made to the members for their missing funds.

Now Price Waterhouse is probing the extent to which the reinsurance programme arranged by Mr Dixon and Mr Cameron-Webb was involved in reinsuring real liabilities of the syndicate. At the moment, it is feared that the members' reinsurance support may have been knocked away in Minet's attempts to unscramble the mess.

There are other matters which Price Waterhouse is examining. Last year, when Minet discovered the full amount of the funds which had gone missing, it indicated that trading losses of roughly the same amount, nearly £40m, had also arisen. Minet's compensation proved timely, and the members used the money to pay their trading losses.

In return for accepting the money, the members had to agree to assign away their legal rights to sue Minet or anybody else in connection with the recovery of further funds and the scandal to a joint company owned by Minet and Alexander & Alexander.

"If I had known then what we know now," said one underwriting member, "I would not have signed that agreement."

The members are upset that they took up the offer in the expectation that there were no further losses of significance in the pipeline. Since then Minet's agency, which is now called the Richard Beckett Underwriting Agency, has changed the basis of accounting for future losses and is taking a more prudent view of future insurance claims.

As a result, a further £60m of provisions are felt to be necessary and other claims of £17m are in the pipeline. Price Waterhouse wants to know why the basis of accounting was changed.

Moreover, the reinsurance programme as a whole, admitted Mr Graham White, managing director of the agency, had been inadequate.

Price Waterhouse is wondering why the reinsurance programme had limits on the amount which could be paid out to the members, when the type of business reinsured called for the most extensive laying-off of risks that could be arranged.

Other problems have been discovered. All Lloyd's members can insure themselves for large losses that arise in the market under personal stop-loss insurance. Some members of the Minet syndicates did take out personal stop loss, but some found that this was arranged with a tiny syndicate formed of Mr Cameron-Webb and his associates.

The wording of their policies was so tightly drawn that they may be unlikely to recover any money in the form of claims.

A steering committee of underwriting members, whose honorary chairman is Lord Goodman, is attempting to raise a fighting fund of £1.5m to pursue legal action against various parties. Members are putting up the cash and are prepared to inject up to £3.8m into the fund in order to pursue possible litigation.

Mr Ian Hay Davison, Lloyd's chief executive, said yesterday that the results of the syndicates in which the Beckett underwriting members were grouped "are absolutely dreadful." But Lloyd's is not intending to provide financial support to the troubled members.

Financier faces £300m legal claims

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MORE THAN £300m is involved in legal claims against international financier Mr Alex Herbage and offshore funds companies associated with him, the High Court in London was told yesterday.

The court made an order for the compulsory winding-up of one of the companies, Caprimex, based in the Cayman Islands, on a petition backed by investors claiming to be owed more than £13m. The petition was brought by an American couple, Mr Lee H. Boyer and his wife Elaine, who are creditors for $36,000.

They were supported by 219 other investors claiming to be owed a total of £12.792m about 300,000 Dutch guilders and about 170,000 Swiss francs.

Mr Jonathan Winegarten, counsel for Mr and Mrs Boyer, told Mr Justice Mervyn Davies that Caprimex was an investment agent for personal investors, for whom it purported to open accounts for money to be invested through investment syndicates.

A substantial number of investors had given the company notice of wishing to close their accounts, but Caprimex had prevaricated and delayed or paid with cheques that had bounced.

Investigations had revealed that the money had gone to Trier Investments, another Herbage company, which had been put into liquidation in the Netherlands, and then either to Mr Herbage personally or to another of his companies, Sutman International, registered in the Cayman Islands.

Mr Winegarten said there was an international police investigation into Mr Herbage's affairs. Last Friday the provisional liquidator of Caprimex, a Southampton accountant, had issued a writ against Mr Herbage claiming £2.871m and filed a petition to wind up Sutman International, based on a claim for £7.796m.

Mr John Donnelly, for Caprimex, asked for a 28-day adjournment to enable the company's solicitors to file evidence opposing the Boyers' petition. The petition, he said, was only one of many legal matters concerning Mr Herbage and Caprimex – one of which involved a sum of £300m.

Asked by the judge if he had any balance sheets or accounts of Caprimex, Mr Donnelly said he had not. He added that Mr Herbage was facing criminal charges of false accounting.

Company Notices

EAST RAND GOLD AND URANIUM COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE TO HOLDERS OF 15.5 PER CENT UNSECURED CONVERTIBLE DEBENTURES 1988-1991 — INTEREST PAYMENT No. 2

Notice is hereby given that, in respect of the interest on the debentures for the period January 1 to June 30 1985, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about June 19 1985 to debenture holders registered at the close of business on May 30 1985. For that purpose the transfer registers and registers of debenture holders will be closed from May 31 to June 14 1985, both days inclusive.

Registered debenture holders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 3 1985 of the rand value of the interest due to them. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before May 30 1985.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, a withholding tax at the rate of 10 per cent will be deducted by the company, where applicable, from the interest payable to those debenture holders whose addresses in the registers of debenture holders are outside the Republic of South Africa. Interest amounting to R20 or less accruing in any one year is exempt from the tax.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per H. E. Phillips
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL
Johannesburg
May 15 1985

Registered Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)
London Office:
40 Holborn Viaduct
London EC1P 1AJ

AAC

FINANCIAL TIMES SURVEY
Wednesday May 15 1985

Brewing

Liberalisation of the licensing laws in England and Wales is needed, the brewers argue, if they are to compete fully with other leisure outlets. Large sums are already being spent on the renovation of pubs to widen their appeal.

The futuristic interior of the Lord Darnley in Edinburgh, one of Scottish & Newcastle's 295 Welcome Inns in Scotland

The customer calls the tune

BY LISA WOOD

"THE CRUCIAL issue for the industry at present is the proposed change in licensing laws," says Mr Tony Simonds-Gooding, managing director of Whitbread, Britain's third largest brewer.

Mr Simonds-Gooding, chairman of the Flexi-Law Action Group, an umbrella organisation campaigning for flexible public hours, explains the importance of such a change thus: "If more flexible hours are introduced our major assets—the pubs—will be freed and it could revolutionise the business."

More flexible licensing laws, which could be based on the Scottish model introduced eight years ago with no apparent harmful effects, are being examined by the Government in a wider review which includes the liberalisation of restrictions on shop hours and Sunday trading.

British publicans have for some time been experimenting with opening their pubs outside the official licensing hours, one publican in the Midlands doing a flourishing trade serving a local factory with take-out breakfasts. But the industry believes a total re-vamping of licence laws would give the industry a much needed boost in its total retailing efforts.

Not that more flexible hours are seen as a panacea for falling beer consumption. Such a move would not necessarily lead to higher volume consumption of beer, according to Edinburgh-based stockbrokers, Wood Mackenzie. Rather, as it pointed out in a recent report on the industry: "It represents a retailing opportunity rather than a chance to sell more beer."

Grasping at this nettle of retailing is the major preoccupation of the brewers, who, as Mr Simonds-Gooding drily said have not been brilliant in the past at catering and at moving into new consumer-orientated areas. For the past few years has seen a mini-revolution in the nation's consumer habits which has confronted the industry with problems to be solved and at the same time a whole range of opportunities to be seized. These include:

● Beer sales have fallen by around 12 per cent since 1979, the peak volume year. UK beer production in 1984 was 36.7m barrels, a decline of 0.4 per cent on 1983's level, and there are few signs that demand will pick up in the near future.

● Increased demand by consumers for a broader range of drinks. Wine sales today account for around 17 per cent of the total drinks market, four times that of a decade ago.

● Greater drinking within the home, which is providing continued upward sales in the take-home market, now accounting for around 15 per cent of the whole beer market.

● Buoyant consumer spending being directed into eating-out, with women gaining greater confidence in using their spending power to demand improved facilities. One recent survey in the City of London estimated that around 37 per cent of drinkers at lunchtime were women.

The brewers, whose ranks range from Bass, with 7,400 pubs to smaller regionally-based brewers such as Shepherd Neame, with 243 tied outlets in Kent, have responded to these changed market conditions with a variety of strategies.

Pub renovation

● A switch in capital investment from new plant into pub renovation with many of the major brewers investing heavily in in-house restaurants such as Whitbread with its Pizza Hut units, Beefeater, Roast Inns and Henekeys. Catering now accounts for some 20 per cent of turnover in many London pubs.

● A cutback in beer production capacity with the closure of some eight breweries, the most recent being the closure of the Norwich brewery by Watney, Mann and Truman, the Grand Metropolitan subsidiary. Fears have recently been voiced over possible cuts, with a loss of jobs, at Matthew Brown, the Blackburn-based brewer which is the subject of a contested takeover bid by Scottish and Newcastle now being scrutinised by the Monopolies and Mergers Commission inquiry.

● The development of take-home sales with extension, particularly by major brewers such as Bass and Whitbread of off-licence chains.

● The active pursuit of other businesses in the general leisure market. The major brewers, it is now estimated, earn only 49 per cent of trading profit from brewing and pub retailing with companies such as Guinness looking to boost revenue in the U.S.

The huge investment pouring into public houses is the most conspicuous evidence of how the brewers are trying to woo customers back into their pubs, some 47,000 of which are brewery-owned.

In the next three years brewers are forecast to spend some £2bn on their retail estates. Mr Ewart Boddington, chairman of the Brewers' Society, in announcing the investment, some 80 per cent of the total industry spend, said: "These figures illustrate very clearly the emphasis now being placed on pub improvements and provide abundant evidence of the brewing industry's determination to restore the pub to popularity—and to profitability."

Mr Boddington made a strong qualification however in detailing how the pub must compete for trade. "A reform of licensing laws," he said "is essential if many pubs are not to slip slowly into oblivion."

Many have, according to a survey by the Hotel and Catering Board which suggested that some 6,500 pubs closed during the recession. Unemployment has struck hard in areas of traditional heavy consumption of beer.

UK beer market

	Total production bulk barrels (m)	Ales & stouts	Lager	Lager as a % of market	Yr.-on-yr. vol. change %
1979	41.19	29.20	11.99	29.1	+10
1980	39.61	27.45	12.16	30.7	+ 1
1981	37.71	26.02	11.69	31.0	− 4
1982	36.53	24.48	12.05	33.0	+ 3
1983	36.86	25.63	13.23	35.9	+10
1984	36.72	22.44	14.28	38.9	+ 8

In seeking to improve the return on these pub assets and cultivate growth in non-beer related areas brewers have enlisted market researchers and professional design teams and hired a new breed of managers drawn from more general retailing backgrounds.

The result has been a flowering of pub design and in many cases, strong market segmentation with cocktail bars, for example, boosting efforts to sell more expensive drinks. Host, the Grand Metropolitan subsidiary which looks after the group's managed houses, is among the most radical in this area with its 14-odd "themed" pubs which are being introduced throughout all the managed estate.

It is a trend many expect to gain momentum, although the City wrily comments that Bass, with impressive increases in retailing profits has not been particularly visible in pioneering "theme" outlets but rather allowed its local management to develop outlets in the mainstream of pub activity. "So far this policy has proved the most successful of the brewers," says Wood Mackenzie.

For the brewers finding new concepts in retailing that will enable their premises to compete with other leisure outlets while retaining their traditional appeal is tricky. Nor do publicans claim they have developed the existing market to its full extent. "There is still a lot to be done with the basic pub, widening its appeal to all sections of the community," says Mr Mike Foster, marketing director of Courage, the Imperial group subsidiary.

In this drive to update the pub many of the major brewers—whose ranks are made up of Bass, Allied Breweries, Whitbread, Courage, Scottish & Newcastle and Grand Metropolitan's Watney Coombe and Reid have enlisted new entrepreneurs.

Richard Branson, president of the Virgin Records empire and Virgin Atlantic Airways last November announced a £2m investment in a chain of pubs in London on a long lease from Watney Coombe Reid. "We were wooed by several brewers," said Mr Branson in announcing the first new outlet, the Princess Victoria.

It is a development in the industry that many see as accelerating as brewers look for new ideas. It is all part of what Mr Foster calls the forging of new partnerships between brewer and tenant.

Wooing the consumer is forcing other fundamental changes on the industry. This is illustrated most sharply in the lager market which has grown from around 29 per cent of the beer market in 1979 to nearly 39 per cent in 1984 and is tipped to reach 50 per cent by the end of the decade.

The repercussions of this growth have been most severe among the regional brewers who, with about 15 per cent of the ale market have traditionally concentrated on their real ales. Attempts to introduce their own lagers have been often unsuccessful.

"We devoted a considerable time and money to the promotion of a house draught lager, Norseman, but we could not stand up in the market place against the heavily promoted national brands," says Mr Peter Heyward, commercial director of Vaux, the Sunderland-based brewer.

The drive to become consumer orientated and face up to the strong competition from the national brands has led some regional brewers to reconsider their whole brewing strategy. Leicester-based Everards Brewery has pruned its own brewing output and is looking to market more and more "guest" beers, that is other brewers' brands.

"The total market for beer is not going to increase in the foreseeable future," says Mr Anthony Morse, managing director of Everards. "We have to make money by selling other things. We have just bought Rutland Vintners, a local wine and spirits company. We aim to sell the public what they want, be that wine, spirits or cider."

This form of consumer orientation is not, however, generally favoured by regional brewers although many are copying the national brewers in purchasing wine and spirits distribution companies. "The retail proposition should logically lead to some brewers totally closing their brewing capacity," said Mr John Dunsmore, of stockbrokers, Wood Mackenzie.

"Arguably those who should do that are the regional brewers who are not strong on lager. But the culture, that is family ownerships, outweighs the economic facts."

Brewing 2

Lisa Wood on the big brewers' need to spot changing trends among consumers

Retailing opportunities of pubs explored

"BREWERS DO not change public tastes," said Sir Derrick Holden Brown, chairman of Allied Lyons. "They observe what is happening in the market and respond to that change and put their money where they see growth."

In the last few years Britain's "big six" brewers — Bass, Allied Breweries, Grand Metropolitan, Whitbread, Courage and Scottish and Newcastle have shown themselves to be more adroit in adapting to change than some of their regionally-based brethren.

On the other hand, beer market share lost to regional companies appears to be coming back to the major companies through sensitive ale policies and secondly, they have benefited from the explosion of interest in lager with the important nationally-promoted brands dominating the market.

The "big six," in the face of static total beer sales have also plunged into diversifications. A recent report from Wood Mackenzie, the Edinburgh-based stockbrokers estimates that currently only 49 per cent of trading profit of the six major companies comes from brewing and pub retailing.

Continued diversification is likely to continue apace while, at the same time, companies explore the retailing opportunities offered by their public houses. For it is the major companies which are forging ahead most aggressively in looking for profit growth in non-beer related activities in the pub.

If retailing is the buzz word of the whole industry there are, however, marked differences between the brewers strategies in the retailing sector.

Bass, the largest brewer with about 21 per cent of the total beer market has been increasing its share partly because of the success of its lager brands with Carling Black Label, the market leader, taking some 16 per cent of the buoyant lager market.

Among the more cautious of the brewers, Bass, with some 7,398 pubs (compared with over 8,800 in 1977) did not go as far along the road to centralisation as other brewers. Local managements have been successfully allowed to develop outlets in the mainstream of pub activity and there has not been the same degree of centralised "theming."

The company's acquisition policy has been more conservative than those of others with the leisure division, contributing 16 per cent of trading profit, including Crest Hotels, Coral bingo and betting, Pontin's holiday camps and most recently, a 25 per cent stake in Horizon, the travel company. The group has strong representation in the wine and spirits division with nearly 1,000 off-licences trading under Augustus Barnett and Galleon Wine.

ALLIED LYONS

Allied Breweries, a subsidiary of Allied Lyons, the food, drinks and retailing group is Britain's second largest brewer with about 13.5 per cent of the market, and announced a major management shake-up in January in a drive for sales. The re-organisation, said Sir Derrick, chairman of Allied Lyons, did not just involve a change in personnel but a change in structure.

Five directors left the board and three new directors were appointed from the principal operating companies. This emphasis on the operating company, said Sir Derrick, was a further step towards devolution of responsibility.

Allied has lost market share in the last decade, a key problem being the group's lager portfolio which is led by Skol. However, there are indications that the launch of Castlemaine has been an outstanding success. Launched six months ago in the Central TV area it is understood that the brand, brewed under licence, has won a six per cent lager market share with very little substitution from the company's other lager products.

Grand Metropolitan's brewing subsidiary, Watney, Mann and Truman owns some 6,500 public houses and enjoys around an 11 per cent share of the beer market with its most notable lager success being Foster's which quickly won market share after its launch two years ago. The group's managed houses, operated by the Host Group, have pioneered many of the retailing changes in the industry with 14 "themed" designs for pubs.

GRAND METROPOLITAN

Host has been the most aggressive in the industry in segmenting its market with varying emphasis on young people, women, families, facilities and food. The group has also been among the first to experiment—with its TAKES outlets—with convenience shopping within off-licences.

Scottish & Newcastle, with some 1,500 pubs is more heavily dependent on the free trade than most of its major competitors. Attempts however to extend its tied estate, last year with a bid for J. Cameron, a Hartlepool-based brewer and most recently a £98m bid for Matthew Brown, the Blackburn-based brewer have been subject to referrals to the Monopolies and Mergers Commission.

Mr Patrick Townsend, the Matthew Brown chairman recently said: "They (S & N) should address the real issue which for them is one of diversification." S & N however has said it wants to remedy its dependence on the free trade before further diversification. S & N's existing non-brewing interests include the successful Thistle chain of hotels.

For short-haul local deliveries Shire horses are still a customary sight. Above are two of Whitbread Brewery's 16 working Shire horses which deliver to pubs within a five mile radius of their brewery in Chiswell Street, London. In addition to their delivery work six of them pull the Lord Mayor's Coach every November in the Lord Mayor's Parade. And at coronations or jubilee celebrations Whitbread horses pull the oldest coach in the country which carries the Speaker of the House of Commons

Whitbread, with around 12 per cent of the beer market and some 6,560 pubs has been among the leaders in developing retail opportunities in its pub estate and in new restaurant and entertainment businesses including discotheques. Non-beer and pub related activities now account for about 40 per cent of group profits.

A key strategy for the group has been expansion in the U.S. where acquisitions include Julius Wile, a wines and spirits distributor. This year however the $100m acquisition of Buckingham Corporation, a drinks distributor, from Beatrice Foods has led to a $225m (£180m) compensation claim. Whitbread is seeking the damages through two lawsuits over the termination of the distribution rights to Mouton Cadet wines and Finlandia Vodka in the U.S. which had been held by Buckingham at the time of the acquisition.

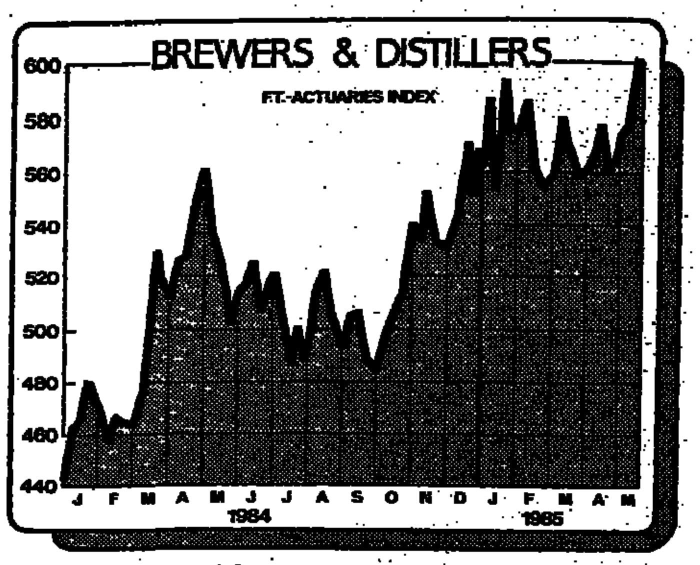
The Whitbread Investment Company recently increased its holding in Matthew Brown in an apparent attempt to help the company fight-off a bid from S & N. It is argued by some that the investigation by the Monopolies and Mergers Commission could scrutinise the workings of the investment company, part of the Whitbread group, which has also in the past come to the aid of small breweries fighting-off take-over bids.

Courage, with about nine per cent of the beer market is part of the Imperial Group's leisure group. Courage concentrates on production and related activities such as the take-home trade while Imperial Leisure and Retailing looks after the managed houses, a re-organisation which the company argues is working well.

Courage has taken some time to get its lager portfolio into place with a priority being to gain trade confidence for Hofmeister and could have a new product up its sleeve. Courage believes that it has done more than most brewers to address the problems of over-capacity.

James Buchan gives the City's view of the big six

Lager revives interest



THE BREWING sector has not been in favour of late. The FT-Actuaries Brewers and Distillers Index, the best measure of the brewers' stock market performance, is at its lowest level relative to the market since 1981.

The recent dullness has more to do with cigarettes than beer—or rather worries about the U.S. cigarette operations of Grand Metropolitan, the heavyweight in the sector. But even in the present rather weak bull market, the traditional defensive virtues of the brewers, as companies who can maintain earnings in a recession, are at a discount.

There has been sporadic activity. Guinness has enjoyed a tremendous return to favour in the City since its purchase of Neighbourhood Stores at the end of last year. The share has been under a cloud for years, shadowed by memories of headlong diversification in the 1970s; but the City has now decided that under Mr Ernest Saunders the group has a coherent strategy based on health, retailing and publishing beside the famous stout.

The hostile bid for Matthew Brown, the Blackburn brewer, from Scottish & Newcastle gave a fillip to the regionals in March. But the bid has since been referred to the Monopolies Commission, the Matthew Brown share price has fallen back and even S & N is finding the market heavy going.

S & N is in a strange position, boxed between the majors and the regional brewers, with excessive exposure to the free and take-home trade and enjoying only a small tied estate. S & N badly needs an acquisition to turn its good profit recovery of the last couple of years into growth. But this is S & N's second run-in with the commission since its agreed offer for J. W. Cameron of Hartlepool last year and the City fears that a second failure might lead S & N into something desperate.

Curiously, the outlook for the brewers as a whole is not too bad. While ale drinking is still on the way down, and there may be more breweries to close after Whitbread's at Luton and Northern Foods' at Hull, there is good growth in lager.

Consumer spending is expected to show another decent increase this year, which should mean trading up to higher value wines as well as lager; and though the brewers continue to be hard hit by high unemployment, at least they can, this year, recoup some of the volume lost during the mineworkers' strike.

In the longer term, any loosening of licensing hours should turn the brewers' managed houses into much more valuable propositions.

For the moment, the City is fixed on the short-term possibilities of lager. This has merely increased the attractions of Bass, which has not only a highly successful lager in Carling Black Label but is squeezing quite extraordinary profits out of ale.

Allied-Lyons has suffered in comparison, though it has moved to repair relations with the City which had become both distant and blurred. Allied's interim results this month will show whether a better performance by Castlemaine lager can remove the City's prejudice against its brands.

While the key to Allied's recovery lies in its brewing division, the group is even less of a "pure" brewer than any of the other majors, all of whom now derive less than half trading profits from beer and pubs. Leaving lager aside, the City naturally concentrates on the fruits of the industry diversification that began in the 1970s and comprises hotels, leisure and expansion in the U.S.

In the past few weeks, there has been a sheaf of stockbrokers' circulars recommending GrandMet. The stock looks cheap and brokers would not be doing their job if they did not look beyond what are bound to be poor interim results this month. But though the UK brewing interests must eventually profit from an attack on their cost base, it is not at all clear that Liggett—the generic cigarettes business in the U.S.—will halt its free fall in a very competitive market.

Whitbread's loss of two franchises from its U.S. drinks business, Buckingham Corp, has badly affected sentiment. This is not because the brands were of overriding importance—though Mouton Cadet seemed to have a bright future—but more as evidence of a slipshod approach.

Equally, Bass has hardly convinced anybody with its diversification—least of all into the unfashionable holiday business. But the City has been deeply impressed by the group's effortless ability to add volume in a depressed market; and the signs are that Bass will profit out of any market improvement.

UK industry plans its own exhibition

BRITAIN'S brewing industry is to organise a new trade exhibition, Brew '87 in two years' time. The industry already has one trade show, Brewex, organised by Industrial and Trade Fairs.

The Brew '87 show will be held in London at Earls Court while Brewex continues its usual venue at the NEC in Birmingham.

The new exhibition is being organised by Brewing Technology Services, a specially formed company jointly owned by all the major brewing institutions. These include the Allied Brewery Traders Association, representing suppliers and a formidable combination of the Incorporated Brewers Guild, the Institute of Brewing and some heavyweight financial support from the Brewers Society.

There has been some concern within the industry at the linking of Brewex with the bigger Pakex exhibition and at the overall cost.

The next Pakex (and therefore Brewex) is in 1986, only 11 months after the massive Interbrau Exhibition now held every four years in Munich. The cost of attending both so soon after each other could cripple many British companies, a problem which the brewing industry itself has decided to sidestep by holding its own Brew '87.

"The present pace of business and the rapid changes in the brewing industry's economics require a more direct control over every aspect of the exhibition's organisation," says Mr J Harrington Griffiths, executive director at Brewing Technology Services.

"Brew '87 has this control in its board of directors who are themselves directors of supplying companies, brewery companies and brewers and production managers.

"Almost half the available space is booked, it comes at the right time in relation to other brewing exhibitions, and it has the support of every side of the industry who will own it and run it for the industry."

Also being held alongside Brew '87 are the beer competitions which have been a feature of Brewex. They are given an up-dated format and known as the Brewing Industry International Awards. The first of these competitions are held in Burton-on-Trent this month.

Meanwhile, "More than threequarters of the space at Brewex has now been allocated," says Terry Brandon speaking for Brewex, "and Brew '87 has not had any significant effect as far as we can see in terms of the space taken up."

"It was at the overwhelming request of 1983 exhibitors that we twinned Pakex with Brewex again because in 1983, 17,000 visitors on the Pakex side also came to Brewex," he added.

Brewex have also decided to introduce new features to this exhibition. They will have a new "soft drinks centre" which "offers an ideal opportunity for soft drinks manufacturers to sell direct to brewers." Brewex has also managed to attract sponsorship from the National Association of Soft Drinks Manufacturers and also the Process Plant Association.

"Overseas companies have been particularly quick off the mark to reserve stands," says Mr Brandon. "We have a strong presence from the Netherlands and plenty of interest from the whole of Europe and the U.S. Our reservations are well ahead of schedule even compared with the record-breaking 1983 event."

ITF are also optimistic about the response they got from visiting Interbrau which took place in Munich earlier this month. "Interbrau has been highly successful for us in the way of promotion," Mr Brandon added.

"Brewex has now been going for over 100 years and really we're not too concerned about Brew '87, because we don't think it has made that much difference to us."

Elisabeth Baker

Lisa Wood looks at how the brewers in the regions are faring

Tough competition for ale portfolios

"THE PREOCCUPATION of regional brewers is the strength of their ale brands," says Mr David Thompson, deputy managing director of Wolverhampton and Dudley, the Wolverhampton-based regional brewer. "The issue is whether or not they can sustain a strong position in the market for those brands with the onset of lager and the importance of nationally-promoted brands."

Mr Thompson continued: "All the independent regional brewers are having to work very hard to keep their beer brands moving in the face of this competition from the big nationally-promoted brands."

It is not just the rise in consumption of lager which is causing concern among regional brewers, one of whom, Matthew Brown, the Blackburn-based brewer has hotly contested a takeover bid from Scottish & Newcastle, the result being an investigation by the Monopolies and Mergers Commission.

Several factors have contributed to the under-performance of regional brewers relative to the national companies making some, it is argued, vulnerable to takeover bids.

These factors include:

- The growth in the take-home trade—some 15 per cent of all beer sales—with only a few of the larger independent brewers having access to national distribution to their brands.
- Competition from the national brewers in the highly competitive free trade.
- High unemployment in areas of traditional heavy consumption of beer with the recent miners strike estimated to have cut more than 1 per cent off 1984 production figures.
- *Less experience in the growing "added value" areas such as catering.*

The so-called 80-odd regional brewers, many still family-controlled, built their reputations in the 1970s on the strength of their ale portfolios. Their fortunes blossomed in the 1970s when consumers rejected the big nationally-promoted ale brands, such as Watney Red and, inspired by CAMRA, the real ale pressure group, turned to traditional regional brands.

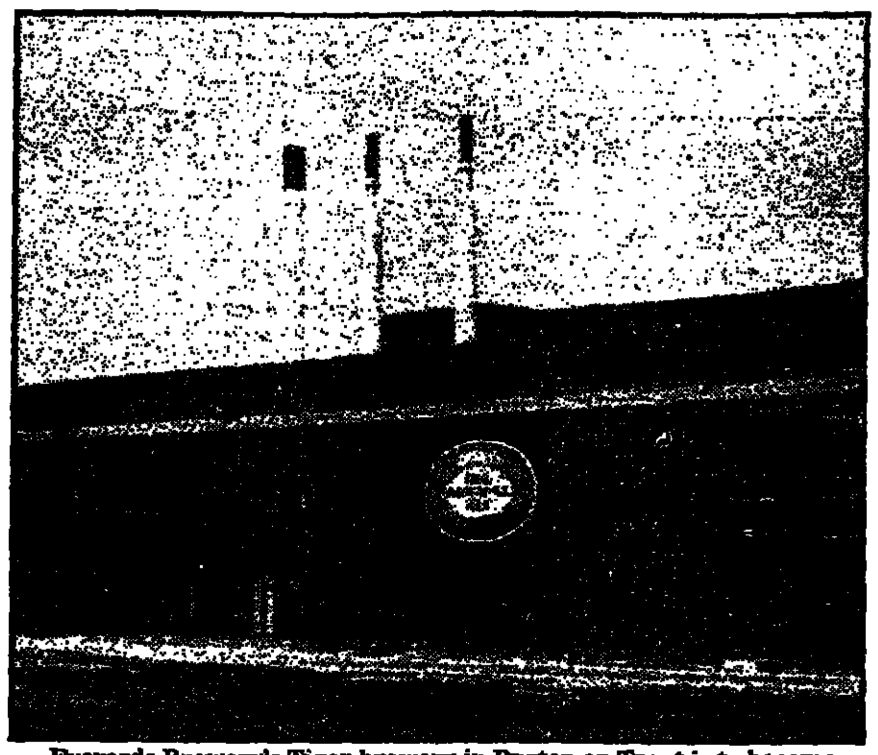
Profitability of the regionals was also enhanced by the fact that industrial relations were more stable than among the national brewers, smaller catchment areas meant lower distribution costs and prices were often substantially cheaper than national brands.

However, the big national brewers, whose ranks include Bass, *Whitbread*, Allied Breweries, Courage, Scottish & Newcastle and Watney *Mann* & Truman hit back and proved adept at *developing ales with a* regional identity with many, as in the case of Courage's *John* Smith's Yorkshire bitter, giving such brands national distribution.

As important a *development* was the upsurge in lager consumption—lager *now accounting* for around 39 per cent of the total market. It was a market trend most quickly spotted—and some say, bolstered—by the national companies who, it is estimated, command more than 80 per cent of the lager market with their brands such as Carling Black Label, Tennent, Heineken, Skol and Foster's most of which are brewed under licence from foreign producers.

These brands command much of the estimated £48m spent last year on promoting lager compared with £29m on ales which, it must be remembered, still command 60 per cent of the static total beer market.

Regional brewers have adopted varying strategies to adapt to this trend with only a *few, including Greenall Whitley*, the largest independent brewer and *Matthew Brown* successfully developing their *own lager products. For many* of the other independent *brewers lager poses a threat to* their substantial investment in ale brands.



Everards Brewery's Tiger brewery in Burton-on-Trent is to become Britain's first working brewery museum. In contrast (above) is Everards' new brewhouse near Leicester which was opened in March

Questions

Mr Neil Scorse, of stockbrokers, Fielding, Newsom and *Smith, says: "The rise in consumption* of lager raises questions about the longer-term future of regional companies *whose businesses are so closely* aligned with regional ales."

Some regional brewers have abandoned the brewing of their *own lager. "We devoted a considerable* amount of time and *money to the promotion of* Norseman, a house lager, but *we could not stand up in the* market place," said Mr Peter Heyward, commercial director of Vaux, the Sunderland-based brewer.

Earlier this year, Vaux announced it was to market Tuborg, a nationally advertised brand owned by Tuborg of Denmark. A pre-requisite to the deal was that we would brew the lager, said Mr Heyward. "*It is lunacy to buy-in a brand, even in bulk. We want to keep the mash-tun going* or somebody else gets a slice *of the cake.*"

Not all regional brewers however want to make a large capital investment in lager plant and many such as Manchester-based Boddingtons' *continue to buy in brands from* the nationals thus potentially *cutting profit margins and* developing surplus capacity in *their own plants as volume* sales of lager increase.

Some brewers however argue that with a considerable excess *capacity of lager in the market* it makes sense at present to *buy in brands. Wolverhampton* and Dudley for example has a *trading agreement with Harp,* the Arthur Guinness subsidiary, with a *long-term option* to brew.

"*With an over-capacity in the* industry the opportunity to buy *at marginal costs is very good,*" said Mr Thompson. "The capital that would be used to build a lager brewery can be used more usefully elsewhere at present."

Overcapacity, or the need to push volume of beer was a *factor in the recent £42m* acquisition by Mansfield Brew*ery of the Hull-based North* Country Brewery. The deal, which went through after Northern Foods announced it was to close the subsidiary's brewing capacity, will double the number of Mansfield pubs in the East Midlands and Humberside to 400.

Mansfield, with investment of £36m in its retail outlets which include a health club, has been among the most aggressive of the medium-sized regional brewers in addressing the general problems facing the industry.

The company's strategy has included active investigation of the take-home market with substantial investment in new plant at its Mandora soft drinks subsidiary. Much of the company's trade however is directed towards the own label business which, while providing volume, exposes the company to the cut-throat grocery business.

It is not a market that the company is shy of, however, believing its new three-litre soft drinks PET pack is a unique product. Utilising the Mandora plant the company has also been able to package its beers for the take-home trade, with the company recently signing an agreement with Carnation Foods, the Nestlé subsidiary, for national distribution of its brands.

Other regional brewers have dipped their toes into the take-home trade, with some however preferring profit margins to volume growth. "It is a very difficult market," says Mr Timothy Redman, financial director of Greene King, the East Anglian brewer.

Low margins

"Many brewers are selling at very low margins. If they seek volume growth they tend to be at the cheaper end which is heavily discounted. Our strategy is to sell a premium product, Abbott Ale. But the take-home trade only accounts for less than five per cent of our business."

The free trade is also being explored with several regional brewers buying properties in the London market where pubs can be a showcase for a company's beers. But it is an expensive business to acquire premises in London and one which many brewers—such as Wolverhampton and Dudley—reject.

Vaux which has four free houses in London said that for many regional brewers "there is still a lot of credibility in being extremely good where they belong."

Such a management philosophy has been wholeheartedly taken-up by companies such as Wolverhampton and Dudley and Matthew Brown, the Blackburn brewer, "Our expertise is in running pubs," said Mr Thompson. "We do not understand the London market and the own-label business does not fit into our strategy for strong brands."

Wolverhampton and Dudley does not have any theme pubs: "The thing that makes a pub successful is if it is in a good location, has a good licensee and good products," said Mr Thompson. "Fun pubs are ephemeral and require a high level of capital investment. We reject the idea of a segmentation of the consumer market because you exclude and make uncomfortable those people who do not fit that market niche."

Optimism continues among mini-brewers

Welcome niche for beer drinkers

THE STORIES of ruin and wretchedness surrounding 28 small independent breweries that failed in the last two years are enough to freeze the blood of any bright-eyed entrepreneur.

"There is a growing feeling that only companies which produce at least 25 barrels a week will survive," says Brian Glover, author of Small Beer, a volume about them to be published next year. "The rest will perish," he adds.

Yet careful research shows that while 12 minibreweries have gone out of business since April last year, 17 started up in the same period and another crop of five—including the Maiden Oak in Londonderry, the *Wangford Arms in Suffolk* and one in Hastings so new it had yet to be named—are about to burst on the scene. Not only that but the wave has now rolled across the Atlantic to Canada and the States, giving British mini brewplant manufacturers a massive potential export market.

A revolution

The first "new" small brewery was the Selby a revived family brewery set up in 1972. Six more arrived during the next four years before things really started hotting up with a further six set up in 1977 and seven in 1978.

It was a revolution that peaked with 17 being started in 1979, 18 in 1980, 36 in 1981 and 37 in 1982. But then the bubble burst in the icy wind of recession and 28 have closed down over the last two years.

Nevertheless, this last year has seen a brewery set up for every one that closed down—and more. Meanwhile, copycat homebrew pubs owned by the majors have grown to 30 per cent of the sector with six launched in the last few months and more to come. Also half a dozen failures like the Leith Brewery — whose marketing skills did not match the deliciousness of their beer — have made a comeback in slightly different guises. But there are now about 120 pure wholesaling small independents in the UK and more than 70 pub breweries.

The *present struggles* of the mini fraternity are symptomatic *of problems* that now beset the industry as a whole. With an estimated 15 per cent over-capacity national and regional brewers are locked in fierce competition—and, vying with each other to seduce every corner of the so-called free trade they often unwittingly trample a tiny independent between them.

Smarting under the lash is Alice Brewery at Inverness, Scotland, where two others, Devanha and Hawkhill have gone down this year already. "If we'd known what they were going to do, we'd have asked them how much they would pay us *not* to go into business—and made a fortune," says production director Roger Duncan.

Hawkhill director Bob Welsch says: "The main reason for our failure was that we weren't able to market our products properly—we relied on the so-called free trade and we just didn't get it."

Of course, 80 per cent of pubs are totally out of bounds for small independents because they are tied to the breweries which own them. Most successful small breweries like Archers, Ringwood and the aggressive Banks and Taylor are quickly getting wise to this, buying up pubs for all they're worth. Many newcomers too are taking the wise option of a homebrew pub or links with a wholesaler.

In contrast, Peter Austin, chairman of the Small Independent Brewers' Association, some of whose members do not have two pubs to rub together is fighting for implementation of new EEC regulations which allow a tied publican to take another brewer's beer as long as it is "different in appearance colour and taste." But it would take a brave publican to flout his tied brewery, and British brewers have, it seems, scant regard for tweetings from Brussels.

Yet despite their problems the new small independents have found a niche in the British beer market. Apart from keeping larger breweries on their toes by scotching local monopolies, they have also won the heart of the beer drinkers pressure group, CAMRA (Campaign for Real Ale). Prices are down through healthy competition in West Country, Midlands and South-East strongholds. They have also managed to cling on through providing a better service to the free trade—bringing supplies out, day or night, and learning how to market their beer.

Most small brewers' view of their own achievement is rather down to earth. "We just hope to stay in business" says Dave Butler of the Ashford Brewery in Kent. And certainly larger brewers don't seem to see them as serious competition. They patronise us and treat us as a bit of a joke," he adds.

Yet the more successful are gradually being accepted by and integrated into the general brewing community by developing interlinks with major breweries. Archers *for example* and Taylor have just received their second from Charles Wells.

"Some people think it unusual we *should* help a small brewery," says Wells' chief executive Oliver Wells. "*But in* reality it would be a long time before they could become our serious rivals."

Elisabeth Baker

Editor of The Grist, magazine for the small independent brewer worldwide.

Old Mill's brewery at Snaith, Humberside, set up in 1983 by Brian Wilson, a former production director for Watneys in the North (Wilsons of Manchester and Websters of Halifax). The gleaming equipment was *supplied by SPR of* Lancashire.

Left: As "free" trade outlets are increasingly tied up by the big brewers, some new mini-breweries have started to set up their own pubs. The Two Brewers in Luton was Banks and Taylor's first pub. Now the Bedfordshire company (established in 1982) has four. Two more opened at the beginning of this month.

CAMRA Campaign for Real Ale

Brewers now devote more attention to export markets, says **Lisa Wood**

More barrels roll out to the U.S.

THROUGHOUT MUCH of the *world imported drinks have a* strong social cachet. British brewers, while still firmly of the opinion that exports will solve few of the problems of over-capacity in the industry, have recently started to investigate such markets, in particular the U.S.

For while sales of U.S. domestically-produced beers are static, imports are estimated to be growing at around 10 per cent a year, albeit from a small base, currently taking some five per cent of sales.

Sales of UK beers are still very small, taking around 2.5 per cent of the imported market which is dominated by "blonde," that is lager-style products, such as Heineken.

U.S. BEER IMPORTS (U.S. bulk barrels)

	1983	1984
	(m)	
Netherlands	2.4	2.6
Canada	1.8	1.9
Germany	0.95	1.1
Mexico	0.37	0.49
UK	0.14	0.18
Japan	0.09	0.12

"The British traditionally have not been good at exporting beers," said Mr Harvey Allen, managing director of Allied Breweries Overseas Trading. "In the past we had a fairly secure and growing home market and little confidence in overseas markets as it is not easy to export beers. But with tastes and cultures changing, as well as static sales at home, efforts are increasingly being made abroad."

The British effort—with exporters including all the major national brewers as well as regional companies such as Matthew Brown and Vaux—has been *strongly assisted by* the Brewers Society which has forged links in the last couple of years with British Overseas Trade Boards and provided a forum for the exchange of information and ideas.

In the U.S., for example, a label acceptable in one state may not conform with labelling requirements in another. "There has been a lot of co-operation and pooling of ideas," said Mr Mike Ripley of the Brewers Society." Now more than 20 companies are exporting to the U.S. with more than 45 different beers on sale

"The products are premium priced and are very much cult drinks and we are not aiming to put a dent in the classic U.S. market—the man who buys his six-pack to watch the football match on TV."

British exporters to the U.S. have tended to concentrate on the bottled sector of the market with draught products posing problems in connection with the return of kegs and also the volume of beer an outlet may require. But bottled products can give problems of quality control: an outlet may buy a couple of dozen bottles and keep serving them for the next few years.

One area where Vaux, the Sunderland-based brewer believes *that* it can exert more quality control is in the draught sector with the use of non-returnable kegs and it is now concentrating on this sector of the market. "We see non-returnable kegs as a great opportunity," *said Mr* Peter Hayward, group commercial director of Vaux. "We have no problems about the return of the container, it is lightweight and we can guarantee quality at the point of sale."

Beer exports and imports

Total UK Imports:	1983:	1,877,594	Bulk Barrels
	1984:	2,052,422	"
Total UK Exports:	1983:	458,044	"
	1984:	524,018	"
Exports to the U.S.:	1975:	55,325	"
	1984:	185,920	"
Exports to Italy:	1975:	6,478	"
	1984:	50,517	"

Source: Brewers Society

In 1984, Vaux exported the bottled equivalent of some 1,230 barrels to the U.S. but aims to the future to export 10 times that amount per annum. UK exports to the U.S. last year were about 180,000 barrels out of total exports of some 500,000 bulk barrels.

Marketing

British brewers are also exporting non-alcoholic drinks to the U.S. Allied Breweries Overseas Trading last month launched its St Christopher non-alcoholic lager in the U.S. after a successful marketing of the product in Canada in 1984. Like other exporters to the U.S. it paid particular attention to the packaging of the brand.

"Non-alcoholic lager is about drinking and driving in the UK," said Mr Allen. "But in North America it is seen as an alternative to sweet soft drinks as well as appealing to the health and diet conscious." Allied also sells its non-alcoholic lager in the Middle East, Bermuda and Spain, the latter market according to Mr Allen proving to be very buoyant despite considerable competition.

Mr Allen also gives the example of the Italian market—the second largest for British exporters—where there has been an explosion in demand *for imported beers.* During the past six years the Italian market for imported beers has grown by over 100 per cent, again from a very small base, but providing market opportunities for companies such as Allied.

Its brands such as John Bull, Ind Coope Pale Ale and Allsops lager now have nearly 50 per cent of UK exports to Italy which are estimated to be around 50,000, bulk barrels a year.

Maintaining the premium image of such products is a pre-occupation of exporters—as it is with importers of speciality beers into the UK.

The maintenance of the quality import image is one reason why Guinness will not consider brewing either Guinness or Harp lager in the U.S. "In the U.S. we are known as an importer of speciality beers," said Mr Chris Davidson of Guinness, "and we have no plans to become a domestic producer when the growing market is for imported speciality beers."

Guinness, through its Guinness Harp Corporation is not the largest importer to the U.S. but it probably has the largest portfolio of imported beers. These include Harp — marketed with an impressive gold and royal blue label and with a short history of the product — Guinness, Caliber, a non-alcoholic lager, Bass Ale, Furstenberg, Kronenburg and Asahi. The last two products have recently been taken into the company's portfolio having previously been marketed in the U.S. by Kronenburg of France.

Developing in the U.S. market has been a strong priority for Guinness since Mr Ernest Saunders took over as group managing director in 1982. Last year the group bought Richter Bros., an importer *and distributor* of speciality foods, again a strong growth area in the U.S.

Last year the importing of drinks into the U.S. earned Guinness around £40m with the group reporting sales to be up by 33 per cent on the previous year. Guinness, said Mr Davidson, would be continuing to focus on this market. "It has growth potential, the dollar is the hardest currency in the world and premium products show high returns."

Major Specialist Off-Licence Chains end 1984

Number of outlets Company	Name of chain	
Bass	Augustus Barnett	400
	Galleon Wine	360
	Mitchells and Butler	100
	Others	40
	Total	900
Allied Breweries	Victoria Wine	810
Whitbread	Ashe and Nephew	325
	Threshers	380
	Whittalls Wines	72
	Total	777
Grand Met.	Peter Dominic	480
Courage	Arthur Cooper	390
	Roberts of Worthing	300
Greenall Whitley	Drew Wine Cellars	130
	Cellar 5	176
	Total	306
Unwins	Unwins	300
North West Vint.	North West Vint.	230
Seagram UK	Oddbins	56
	Gough Brothers	155
	Total	211
Reo Stakis	Haddows	102
Virani Group	Shop Inn	100
	Bottle and Basket	100
Lennons (Dee Corp)	Lennons	94
Vaux Breweries	Goldfinch Wine Stores	140
	Blayneys	140
	Liquormarket	140
Fuller, Smith and Turner	Fuller, Smith and Turner	57
Agnews Stores Holdings	Agnews Stores	50
Greene King	Peatling and Cawdron	30
A. Hinton (Argyll Foods)	Winterschladen Wine Shops	30

In some cases numbers are only approximate

Major UK Licensed Grocery Multiples, December 1984

Number of grocery stores	Total	Licensed
Argyll Group	1,090	711
Presto	151	151
Liptons/Galbraith Templeton	615	405
Hintons	55	42
Lo-Cost*	148	95
Cordon Bleu†	121	18
Associated British Foods Gp	482	382
Fine Fare	290	250
Shoppers Paradise*	163	110
Stewarts	29	22
Asda (Associated Dairies)	101	98
Bishops/Budgen (Booker McConnell)	163	125
Bejam†	213	170
British Home Stores‡	127	58
Co-op	6,400	2,000
Cullens Stores	100	75
Dee Corporation	770	671
Gateway/Keymarkets/ Lennons	382	333
Carrefour	8	8
International Stores	380	330
Hillards	42	34
Kwik Save (Kwik Save Discount Group)	393	60
Littlewoods‡	108	104
William Low	61	60
William Low	45	44
Lowfreeze†	16	16
Marks and Spencer‡	264	259
William Morrison	33	33
J. Sainsbury	251	250
Safeway (Safeway Stores)	118	118
Tesco (Tesco Stores Holdings)	400	340
Waitrose (John Lewis Partnership)	77	75

* Limited assortment discount store
† Freezer centre
‡ Variety store

Source: Economist Intelligence Unit

Clearing the air on licensing hours

PRESSURE FOR reform of Britain's licensing laws is now becoming so intense that for many the key question is not whether the law will be changed to allow more flexible drinking hours but when the change will take place.

The mood of Mrs Thatcher's Government has convinced most in the trade that the law will be changed in the next few years, especially since the Government is keen to reform the archaic shop opening hours legislation.

The case for licensing law reform, however, suffers because drinking alcohol is such an emotive issue for many people, especially the question of alcohol abuse.

This makes the forthcoming Scottish Office report on the position in Scotland even more crucial to the debate. Licensing laws in Scotland were reformed in the mid-70s to allow longer and more flexible drinking hours. By all accounts the change has not led to increased alcohol abuse but, instead, to the reverse with some suggestions that the incidence of drinking problems has improved. The Scottish Office's report will probably confirm this trend and intensify the pressure for reform.

Moreover, the Government is keen to reap the benefits of Britain as a tourist attraction and Lord Young has a brief to look at ways of enhancing Britain's tourism. Many overseas visitors are amazed to find the restrictions placed on drinking in England and Wales.

Their surprise is understandable, however, since permitted hours of sale of alcoholic drinks in England and Wales are stricter than almost anywhere outside the Moslem world.

Laws governing the sale of drink in England and Wales have their origins almost five centuries ago. In 1495, Henry VII empowered justices to close certain ale-houses and take sureties from ale-house keepers. It was apparently part of a campaign to encourage archery rather than "useless games."

The present pattern of licensing laws for England and Wales developed under the emergency powers of World War I and were consolidated in the Licensing Act of 1921, which introduced the principle of permitted hours—a concept which empowered local magistrates to set times when drink could be sold.

The general hours were modified to their present form with the Licensing Act of 1961 and consolidated in an Act of 1964. However, the position varies considerably across the country and further complexities are created by special hours licences and extensions.

In Scotland, laws enacted in 1976 allow much greater flexibility. Pubs are allowed to stay open much longer than previously, depending on customers' needs and the suitability of the premises.

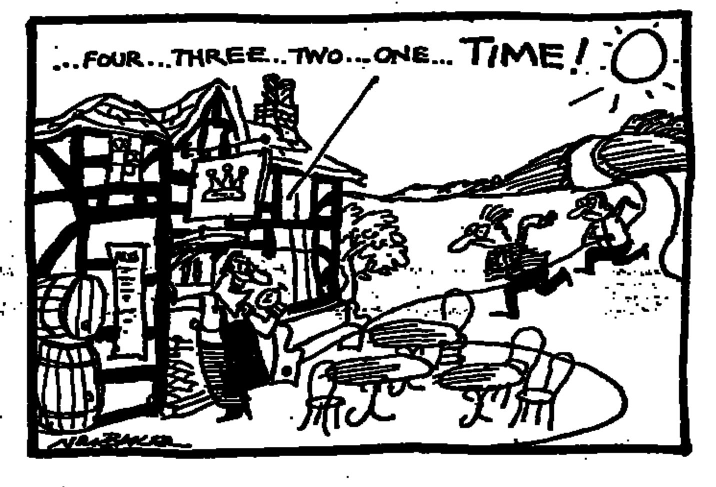
In Wales, Sunday opening for pubs is determined in each district every seven years.

Opposed

The last major attempt to reform the basic licensing laws in England and Wales was in 1972 when a Home Office committee headed by Lord Erroll unanimously proposed that pubs should be allowed to open from 10 am to midnight and restaurants and cafes should be allowed to sell alcohol regardless of the sort of meal service they provided.

However, the Erroll report was opposed by the well-organised lobby against liberalising the licensing laws, composed of religious, temperance and health groups.

One major objection to extending drinking hours is that



it would increase alcohol abuse among young people.

Yet in Scotland this does not appear to have had this effect. Dr Christopher Clayson, who chaired a Whitehall committee which led to the change in Scottish licensing laws, says that "in relation to young people in Scotland the suggestion is made that there is a good response to more liberal licensing in combination with health education, and lower levels of drunkenness have been recorded."

Dr Clayson also points out that the uneasy forebodings of those who opposed relaxation of Scottish licensing law have not been justified.

A Brewers Society survey last year of Scottish licensing hours found that consumers considered drinking "more civilised," made pubs more appealing, encouraged them to provide more food, and made them more suitable for women. The majority of the Scottish public, according to the survey, strongly supported the new hours and most believed that there had been no increase in drunkenness.

Scottish licensees overwhelmingly supported the new flexible hours, believing that customer behaviour had improved and that drinking in Scotland had become more relaxed and pleasant.

Agreement sought

The new hours also have increased employment in the pub trade, according to the survey. Almost a third of licensees who have adopted new hours have taken on more staff.

Change in the English and Welsh licensing laws is likely to follow closely on the Scottish system, although the Home Office is understood to be keen to ensure that there is general agreement in the trade and with interested parties about what form of licensing laws should remain.

A lobby group, comprising the licensed trade, consumer groups, tourist boards, and hotels, has been set up—called the Flexible Hours Action Group (FLAG) — which has been seeking general views.

The Brewers' Society, moreover, has recently reached agreement with the National Union of Licensed Victuallers about what form licensing hours should take if the law is changed.

The main points of the proposals are that there should be no across-the-board changes but that individual on-licenses would be entitled to vary their hours up to a maximum of 12 hours betwen 10 am and 12 midnight.

Approval for the variations wil have to be given by local licensing justices who would take account of social circumstances and activities in the locality and consider any representations by the police or other parties. In special circumstances relating to the locality or to specific days, the justices could approve a variation for longer than 12 hours.

What will be the effect of longer licensing hours on the major brewers? Stockbrokers Wood Mackenzie point out that flexible opening hours do not necessarily lead to higher volume consumption of beer. "The experience of Scotland suggest that the key profit growth for companies is in trading up rather than trying to sell more pints," the brokers say.

"The brewers are likely to try and increase the number of managed houses where retail as well as wholesale profits can be earned," says Wood Mackenzie. "This will put further pressure on low barrelage tenancies which cannot offer the facilities of larger managed houses. We expect a re-appraisal of each brewer's retail estate with the underlying value of large, well located outlets rising to reflect their earnings' potential."

All this, of course, remains speculation until the Government's intention about licensing law reform is made clear. It is likely that a Home Office statement on the issue will be made later in the year but it remains to be seen when parliamentary time can be found to make any changes in licensing laws.

David Churchill

Thirst unquenched in take-home market

THE GROWTH of the take-home drinks sector has been one of the most significant shifts in consumer purchasing patterns over the past decade, reflecting the overall trend in society towards more home-centred activities.

This trend, moreover, has been accelerated by the vigorous merchandising by supermarket chains of alcoholic drinks of all types. Of the leading grocery multiples, most of their stores are licensed—a position that has been helped by the growth of larger stores with the space to display more drinks.

About a third of the co-operative retail movement's 6,000 stores are licensed, as are most Marks & Spencer stores.

According to Stats MR, a market research company, some 71.5 per cent of all off-licences were operated in conjunction with a grocery store, while the remainder were specialist outlets.

The importance of the take-home sector in the drinks market is emphasised by new market research from the Mintel research group. This research, published in a recent report.* reveals that 73 per cent of consumers buy alcohol for drinking at home.

The survey shows, moreover, that more consumers are buying beer and cider to drink at home—some 33 per cent bought beer to drink at home in 1983, rising to 36 per cent in 1984. For cider, the percentage of consumers buying it to drink at home has risen from 11 per cent to 13 per cent.

More men than women in total buy drink for home consumption—although in the supermarket sector alone, the split is fairly even. Further analysis of the survey's results show that the 25 to 44 age group are the most frequent purchasers of drink for the home. In class terms, there is a slightly higher level of buying at the upper end of the socio-economic scale.

The use of specialist off-licences is much greater among the ABC1 (professional and executive) groups than among the rest of the population. Sales through supermarkets alone, however, show a much more even class distribution.

Mintel's survey looks at various sectors in more detail. It points out that, for beer, off-licences are comparatively weak because of the continued dominance of the pub in beer sales.

"Where beer is concerned, there is a much heavier bias to men than in other sectors of the drinks trade," says Mintel. "Even in supermarkets male buyers outnumber female buyers by two to one, while in specialist off-licences the figures are four to one." This is partly due to men's drinking preferences, adds Mintel, and partly to the sheer bulk of beer and the consequent effort needed to carry it.

According to Mintel's survey, beer buying for drinking at home peaks quite strongly in the middle age groups.

The growth of the take-home sector, and the greater involvement of non-specialist off-licences such as supermarkets, has led to considerable changes taking place in the specialist off-licence trade.

The number of specialist off-licences is estimated to have fallen to about 11,600 last year, from some 13,500 in 1980; as a result of the increased competition in the market forcing out some of the less efficient operators. In the last two years, moreover, there have been a spate of takeovers and mergers and existing outlets have been refurbished and re-launched.

Off-licence chains

In 1980, the only major national specialist off-licence chains were Victoria Wine, owned by Allied Breweries, and Peter Dominic (Grand Metropolitan). Now, however, several of the major brewers are trying to establish a corporate identity for the various off-licence chains under their control.

Bass, for example, has now become the owner of the largest group of off-licences since its acquisition of Augustus Barnett in 1983. Barnett is the name being used for the up-market customer, while Galleon Wine is for the smaller, down-market store. Wine Sellers is gradually being phased out.

Victoria Wine has been setting the pace in the past year or so for creating a new image and approach: stores have been redesigned with particular emphasis on making them more attractive to women customers.

Whitbread, which operates the Threshers chain, was busy expanding its off-licences by acquisition last year. In January it acquired a group of companies from Lonrho including the 325-outlet Ashe and Nephew off-licence chain. In October, it bought a further 72 outlets trading under the Whittals Wines banner. Whitbread now ranks as the third largest off-licence operator with Bass and Allied in the two top places.

Within the specialist sector, beer and cider are estimated to account for about a quarter of turnover by value. Beer is sold mostly in cans, and only in the case of stout does the bottle still predominate.

The growth of the take-home sector is likely to continue in the foreseeable future but probably at a slower rate than before. Most growth, however, is estimated within the trade to be likely to come from the supermarket sector. The small independent grocer selling drinks is expected to have difficulty holding his own in the more competitive market conditions. The specialist off-licence sector will most likely continue to see some shake-out of smaller operators and a greater involvement by the big brewers.

**The Alcoholic Drinks Market, published by Mintel, 7, Arundel Street, London, W.C.2, price £425.*

D.C.

The control room in the £13m complex of Scottish & Newcastle's Fountain Brewery in Edinburgh which is one of the largest and most fully-automated brewhouses in the world, incorporating the latest advances in energy saving

Maurice Samuelson looks at the efforts being made to save on energy costs

Pubs could cut energy costs by £100m

FEW INDUSTRIES can be more sensitive to energy costs than brewing whose main processes rely largely on the management of heat.

However, energy costs are also being recognised as a major factor in the profitability of the places where beer is sold. In addition, energy costs are not unrelated to the revolution in the packaging of beer, emphasised by the switch to lightweight PET plastic bottles for larger take-home containers.

As far as the pubs are concerned, it is only quite recently that brewers have recognised the full amount of money they stand to make, or save, by exercising greater care over their heating or lighting.

For the total UK public house estate of 77,000 outlets, the energy bill is estimated to be some £410m a year at current prices. The managed house estate alone, containing some 14,000 houses, spends an estimated £75m a year on energy, with an average pub spending some £5,350 a year.

At a conference in Buxton, Derbyshire, in March, members of the Brewers Society were told that there was scope for the country's pubs to save about £100m a year through efficiency measures which would cut their fuel bills by 30 per cent, or £1,500 a year per pub.

The finding was received with considerable interest since, until then, the conservation efforts of the brewing industry had concentrated mainly on the production processes within the breweries themselves, achieving a remarkable 16.5 per cent cut in energy costs since 1976.

The studies presented to the Buxton conference suggested that not only did the pubs use as much energy as the breweries but that they presented even greater scope for savings.

Most of the savings would be made by the elementary precautions over making sure that lights and heating were not left on when not required, or that both were kept at sensible *levels. Although savings in these* fields can be assisted by investment in energy efficient equipment, it was recognised that the management of the pub was itself the key to achieving them.

Mr B. J. Waring, energy and utilities manager of the Bass Group, reported that 31 per cent of the fuel bills of the group's 2,500 managed outlets went on their space and water heating. Their lighting bills came next, with almost 22 per cent, due mainly to the fact that lights were being used in trading rooms for 50 per cent longer than the licensing hours were in force.

Cooling of beer in pubs came next in the energy spending, at just over 17 per cent, followed by 12 per cent for catering and 9 per cent for the manager's own electricity use; sundry other costs accounted for the remainder.

The challenge

Having identified the scope for savings in the pubs, there is every reason to believe that, given their previous success in *the breweries* themselves, the brewers will successfully tackle this challenge, too, even though it will have to be achieved through managerial rather than technical reforms.

Energy costs—of the packaging makers rather than the brewers themselves—were also a factor in a recent revolution in the take home beer package, represented by the widespread replacement of glass returnable beer bottles by lightweight, tough PET.

However, the main reason for the success of PET—polyethylene terephthalate—has been its inherent qualities of lightness and strength and their appeal to the consumer.

Having taken the soft drinks industry by storm, PET bottles, suitably modified to exclude oxygen as well as to retain carbonation, were only launched as beer containers four Christmases ago.

Today, PET bottles are used by at least 24 British breweries as well as by several major retail chains with own brand beers. Metal Box, which pioneered the specially coated PET beer bottles, says they are in *the* process of becoming the second biggest packaging medium for beer after the 16-ounce can.

Packaging Review, the monthly trade journal, said in its January issue, that brewers last year used 65m PET bottles, 90 per cent of them in the two-litre size. Incidentally, some 20 airlines are also carrying miniature PET spirits bottles, which are being used for several major brands. One of the latest Scotch whiskies to "go PET" is Teachers.

However, although the party can has virtually disappeared, the new material is not denting the overall popularity of cans as the leading beer package. According to Packaging Review, the number of beer cans sold in the UK last year rose 3 per cent to 1,950m units, with a total market value of £127m.

Within this sector, 16 oz cans are doing well at the expense of 10 oz cans which continue to be used, however, for stronger products such as Guinness and stout.

According to the Can Makers information service, in September and October 1984, 86.4 per cent of packaged beer sales in off-licences were in cans, a 9 per cent increase over the same months the year earlier.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Deutsche Bank

The art of understatement

Jonathan Carr explains the West German bank's tradition of collective leadership

DEUTSCHE BANK, so the saying used to go, is run like a republic; Dresdner Bank like an enlightened monarchy—and Commerzbank like a dictatorship. The statement is hardly true any more of the two latter institutions, respectively second and third among West Germany's "big three" commercial banks. But it is still pretty accurate for the Deutsche—by far the biggest and most profitable bank in the country, with a group turnover last year of DM 238.4bn (£62.7bn) and operating earnings of close to DM 4bn.

The "enlightened monarch" at the Dresdner, the much lamented Juergen Ponto, was murdered by terrorists in 1977. The so-called "dictator" at Commerzbank, Paul Lichtenberg, stepped down as head of the managing board in 1976 (though the present incumbent, Walter Seipp, is also a tough character who leaves no doubt who is the boss). But at the Deutsche there is so strong a tradition of collective leadership, combined with studied understatement by those at the top, that an *outsider might* wonder at first whether the bank is run by remote control.

This looks odd at first sight, because the Deutsche's top leaders since the war have not just been excellent bankers—each has a particular domestic banking responsibility, ensuring they keep their fingers on the banking pulse—but men of unusually wide interests and with the highest contacts in industry and politics. But they also are expected to merge, chameleon-like into the collective background of the managing board. In a phrase, they must be outstanding—but they should not stand out.

That tradition was confirmed yesterday at the annual shareholders' meeting when Alfred Herrhausen formally became new "co-spokesman" of the managing board. Herrhausen is not a "chief executive" nor *even the spokesman*—but one of two (the other is F. Wilhelm Christians who has had the job since 1976) whose task it is to represent the Deutsche's *policies, jointly agreed by the* board, to the outside world.

Neither Christians nor Herrhausen will be given special notice in the bank's annual report. Again by tradition the managing board members, including the spokesmen, are *listed alphabetically, without* titles. By contrast the members of the supervisory and advisory boards are given as Dr this or Professor that, with the chairmen named first.

That might seem to imply that the Deutsche Bank's spokesmen are a rather dull lot; mere figureheads who leave the nitty-gritty decision-making to their colleagues. That is the reverse of the truth. Indeed, it is hard to think of any personality less like a figurehead than Hermann J. Abs, the first post-war spokesman of the Deutsche and one of the most famous of all bankers.

It was Abs who, in the final phase of the war, solemnly pledged to his mentor at the Deutsche, Franz Urbig (then aged 80), that he would do all in his *power* to rebuild the bank when peace came. He kept his word, although the Deutsche lost most of its assets and (like other German banks) was initially split up by the wartime victors. Only in 1957 did Deutsche Bank AG become a unity again, and a year later—thanks to Abs—was managing the first D-Mark foreign bond issue for almost half a century.

Distinction

Abs was (and still is as 84-year-old honorary president of the Deutsche) a man with the mild appearance of an English country squire and an almost irresistible willpower. But, as one of his successors at the Deutsche recalls, even Abs did not quite always have his own *way on the managing board.* And significantly, when he moved on to head the supervisory board in 1967, he was replaced by two spokesmen—underlining that Abs was a special case in very special circumstances.

The new tandem at the top did not last long because one *member of it, Karl Klasen,* became president of the Bundesbank, the central bank, in 1970 — a job he held with distinction for seven years. The other spokesman, Franz Heinrich Ulrich, gained a bit less renown outside the bank than either his predecessor or successors—but he was greatly prized by those who knew him well inside it.

When Ulrich moved on to head the supervisory board in 1976, there were even those who wondered whether the new tandem at the top table would be able to fill Ulrich's shoes.

They need hardly have worried. One spokesman, Wilfried Guth, became probably the best-known German banker internationally over the last decade. *Prized for his advice* by many, including ex-Chancellor Helmut Schmidt, he has unusually broad knowledge of economics and finance based *on, among other things, earlier* work in central banking and at the International Monetary Fund.

It is Guth (born on July 8, 1919) who *is* moving to the supervisory board now—making way for Herrhausen and fulfilling the unwritten rule under which a member of the managing board gives up *his* post *in* the year of his 66th birthday (at the latest).

The other spokesman, Christians, who was 63 this month, has often tended to be seen outside Germany as the Deutsche's key "domestic business" man with Guth as the "industrialist". This is hardly fair to Christians who, among other foreign tasks, successfully negotiated a string of credit deals with the Soviet Union over many years, and probably has closer ties with top Russians (including the new Soviet leader Gorbachev) than any other Western banker.

One characteristic of all these men is that they have a broad range of interests—both in finance in the widest sense, and beyond. Again Abs is the *prime example with his international experience*, mastery of more than half a dozen languages and wide knowledge of music and art.

Guth loves sport (including skiing and hiking) as well as music; Christians horse riding and modern paintings (he has a fine collection)—and so on.

All that helps explain why those who reach the coveted position of "primus inter pares" —which involves election by management board colleagues not "appointment" by the supervisory board—are strongly placed to be able to draw policy accord from their management colleagues. Nonetheless agreement is by no means always simple to achieve. Guth and Christians made a practice of meeting shortly before board sessions to compare notes and ensure they were not liable to be divided on any point.

At boardroom *sessions*, according to participants, less than 20 per cent of the time is spent discussing individual deals, the rest to thrashing out broad strategy.

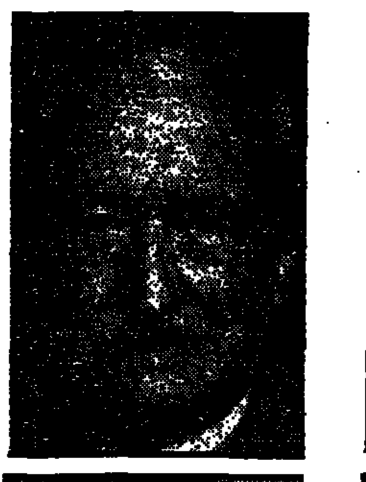
Any danger of their concentrating on generalities is guarded against by every board member having to work, as they *put it, "on the front"*—meaning he is responsible for domestic business in at least one region of West Germany, as well as having a wider beat—*for example internationally*.

In all there are 14 regional head branches in Germany, themselves controlling more than 1,300 domestic offices. Board members *allow* branch directors a lot of scope, thus fostering decentralisation and encouraging regional competitiveness. But a very regular reporting system generally ensures that any errors are quickly spotted at headquarters, and the offending director is given a—more or less friendly—box on the ears.

Probably the single key word for the managing board is "balance"—of skills and ages—and a lot of trouble is devoted to achieving it. Some members of the board are brilliant (occasionally somewhat wild) ideas men; others terrier-like banking businessmen; others stern controllers (it would no doubt be invidious to suggest who is which). There is really no hard and fast rule on age.

Far ahead

Put all these historical and other factors together and it is *fair at least to hazard a guess* on who the Deutsche's next spokesmen may be. Hilmar Kopper, responsible for European business, looks the best tip to succeed Christians later in this decade—and Werner Blessing, who is just acquiring responsibility for North America to add to his existing tasks in Latin America and Africa, to make the summit in the 1990s. That of course is looking very far ahead—but then that is what Deutsche Bank is usually doing.




Clockwise from top left: Hermann Abs, the post-war re-creator of the Deutsche Bank; Wilfried Guth, retiring spokesman moving to the supervisory board; *Wilhelm Christians, a co-spokesman since* 1976; and Alfred Herrhausen, the new co-spokesman, in Guth's place

THE NEW *co-spokesman* of the managing board of Deutsche Bank, Alfred Herrhausen, who was 55 in January, faces the biggest challenge of his strikingly successful career.

His job as "primus inter pares" is not hampered by the fact that he did not start out as a Deutsche Bank man. True, he only came to the *Deutsche board from industry* in 1970, at the encouragement of Christians who is now his co-spokesman colleague. But then Herrhausen's predecessor, *Wilfried Guth, only* came to the Deutsche quite late in his career too, from public banking and international finance work.

Nor *is* there any *doubt* about Herrhausen's top qualities, as a banker and as one with major expertise in German industry. Born in Essen *in the Ruhr area, he knows* the steel sector better than almost anyone and at age 37 was already finance chief of the key Dortmund-based VEW, the Dortmund-based electricity supply company. At home he has proved a highly effective supervisory board chairman of Continental Gummi-Werke, the country's biggest tyre concern; abroad he has shown skill in directing the Deutsche's North American operations.

Colleagues (and rivals) agree he has a razor-sharp *analytical mind, a great capacity* for hard work—and many top level contacts (including Chancellor Helmut Kohl).

Herrhausen's real problems are that it will be hard for him to fill Guth's shoes and that Guth is a banker of quite uncommon range and exceptionally strong public image—even aura. The latter has been a huge bonus, of course, for Deutsche Bank.

So far Herrhausen has displayed *little of that quality.* In public he looks cool, aloof, even arrogant (though his defenders claim he is perfectly civil and friendly to *those who do not waste his* time . . .). At the Deutsche's press conferences he displays a mastery of facts, little sense of humour and constantly casts anxious blinks at his watch. Inside the bank he is clearly prized, but as a "spokesman" for the Deutsche to the world it looks as though he has a lot to learn.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Personal liability

I am a director of a group of companies which became a victim of the recession and although drastic measures were taken it was forced into liquidation.

There has been considerable correspondence with the DHSS which has been attempting to claim various amounts from me personally. Much confusion has arisen by the amounts claimed not being recognisable and in some cases the sums did not add up.

I have not as yet paid over anything.

Can the DHSS claim from me NI contributions deducted from my salary and not paid *over by the company;* the employer's portion of the NI not paid for the same period, and any other NI contributions, employer's and/or employees; relating to other members of the staff not paid over?

If there are found to be any discrepancies from previous years relating to any of the employees including my own NI contributions can the DHSS go back over those years?

It seems that the claims for unpaid contributions should be made against the company rather than directly against you; but a secondary claim could arise against you. Volume 33 of Halsbury's Laws of England, 4th edition may assist you.

Expenses of offices

I am thinking of setting up as a sole trader planning consultant in the UK and abroad.

I shall be using part of my home as an office but need a London base too for UK work. For this I propose to buy a narrowboat and convert it into an office and overnight pied-a-l'eau.

Will the £22,000 spent on this be allowed in full or in part as "setting up" capital expenses against tax? Will the proportion of current expenses on this office thereafter allowable effect the expenses allowable on the *country accommodation? And* what about journeys between?

Do I have to register for VAT in advance before knowing the results of my first year's trading? *If not,* do those I invoice in the UK for my services, have to have VAT added during that year, in anticipation?

Or must I wait until registered?

You should ask your local tax inspector for the free booklet IR28 (Starting in business), and your local VAT office for the free pamphlet 700/1 (*Should* I be registered for VAT?)

You could also ask your tax inspector for booklet CA1 (Capital allowances on machinery or plant).

Briefly, the answers to your first three questions are: no; no; and probably; it depends upon the *precise* facts.

Travelling expenses

I own some small shops and the Inland Revenue Tax Inspector has refused to allow me, from *1981*, travel and subsistence for the purpose of management, rent collection, interviewing new tenants, etc.

The shops are some 200 miles from my house and I visit them once a month; I think it is quite unfair of the Inland Revenue to regard the monies as investment income.

My contention is that the income *should* be taxed as arising from a sole trader business. Could the income *be transferred to an appropriate* tax category or schedule so that I could then be allowed reasonable business expenses—including of course travel and subsistence?

Income tax (like capital gains tax) is levied according to arbitrary rules laid down by MPs over the years, with scant regard for questions of equity and fairness.

The Government has rejected calls from its backbenches for landlords' travelling expenses to be allowed as expenses of management under the rules of Schedule A.

A free explanatory booklet, IR27 (Taxation of income from real property), is obtainable from your tax inspector. We are sorry to say that equity favours you — as has been indicated by some judges' comments — but Parliament is against you.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Company Notices

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9% 1977/95 OF US$50,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to US$1,760,000 has been purchased for redemption on 15 June 1985.

Amount in circulation after 15 June 1985 US$36,000,000.

B.I.R.D.
FFR 150,000,000
7.25% 1972-1987

The FF 15,000,000 instalment due for redemption on June 15 1985 has been partly met by purchases in the market [illegible] The balance of FF 11,250,000 has been met by a draw by lot on May 2, 1985 in the presence of a notary public. [illegible] Outstanding amount after June 15, 1985: FF 45,000,000. Bonds drawn by lot will cease to bear interest on June 15, 1985. Bonds presented for redemption must have [illegible] attached and will be payable according to conditions stated on the Bonds.

The Fiscal Agent
BANQUE PARIBAS (LUXEMBOURG) S.A.

GOVERNMENT OF ZEALAND
LOAN OF FFR. 75,000,000
7.25% 1972-1987

The redemption due on 1st June 1985 for which a sum of FFr 7,500,000.— is planned has been entirely met by repurchases on the Stock Exchange. Outstanding amount after June 1, 1985: FFr 24,500,000.—
Previous draw:
1 June 1983 Nos 6443/10333 inclusive

The Fiscal Agent
BANQUE PARIBAS (LUXEMBOURG) S.A.

Company Notices

WESTERN DEEP LEVELS LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF 12 PER CENT UNSECURED DEBENTURES 1986-1993— INTEREST PAYMENT No. 10

Notice is hereby given that, in respect of the interest on the debentures for the period January 1 to June 30 1985, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about June 19 1985 to debenture holders registered at the close of business on May 30 1985. For that purpose the transfer registers and registers of debenture holders will be closed from May 31 to June 14 1985, both days inclusive.

Registered debenture holders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 3 1985 of the rand value of the interest due to them. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before May 30 1985.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, a withholding tax at the rate of 10 per cent will be deducted by the company, where applicable, from the interest payable to those debenture holders whose addresses in the registers of debenture holders are outside the Republic of South Africa. Interest amounting to R20 or less accruing in any one year is exempt from the tax.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per R. S. Edmunds
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Johannesburg
May 15 1985

Registered Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)
London Office:
40 Holborn Viaduct
London EC1P 1AJ

PROVINCE DE QUEBEC
Loan FF 125,000,000.—
7¼% 1972-1987

Bondholders are hereby informed that the redemption instalment of FF 15,000,000.— due on June 15, 1985 has been partly met by purchases in the market. For the redemption of the remaining amount of FF 5,240,000.— due, a draw [illegible] Consequently, the 1048 bonds of FF 5,000.— numbered [illegible] will be redeemable at par, coupons at June 15, 1986 and subsequent attached, as from June 15, 1985, date at which they will cease to bear interest. Redemption and payment of interest will take place at the following Banks:

CREDIT LYONNAIS, Luxembourg
CREDIT LYONNAIS, Paris
ALGEMENE BANK NEDERLAND N.V., Amsterdam
BANCO DI ROMA, Rome
BANQUE DE PARIS ET DES PAYS-BAS, Paris
COMMERZBANK A.G., Frankfurt/Main
KREDIETBANK N.V., Brussels
LLOYDS BANK INTERNATIONAL LTD., London

Outstanding amount after this eighth amortization: FF 32,000,000.—

The Fiscal Agent
CREDIT LYONNAIS
Luxembourg

TRANSAMERICA CORPORATION
U.S.$30,000,000
Floating Rate Notes due 1990
(Coupon No. 1)

Pursuant to notice conditions, notice is hereby given that for the interest period from 13th May 1985 to 13th November 1985 an interest rate of 8⅝ per cent per annum will apply.

Amount per coupon = U.S.$2,268.06 payable on 13th November, 1985.

Reference Agent:
The Long-Term Credit Bank of Japan, Ltd.
London Branch

CHEMICAL NEW YORK CORP.
US$300,000,000 FLOATING RATE SUBORDINATED CAPITAL NOTES DUE 1997

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from May 15th 1985 to August 15th 1985 the Notes carry an interest rate of 8⅜ per cent per annum.

The interest payable on the relevant interest payment date, August 15th 1985, against coupon No. 2 will be US$1070.14 per US$50,000 Note.

Agent Bank
CHEMICAL BANK

IVORY COAST

Ministry of Public Works, Construction, Posts and Telecommunications

National Office of Telecommunications
Ivory Coast

INTERNATIONAL INVITATION TO TENDER
No. 3290/84/ONT/DFB/FM/031

1 — Objective

The National Office of Telecommunications (ONT) invites international tenders for the supply, installation and connection to the telephone network of an SPC digital local/transit exchange of 10,000 lines, extendable to 60,000 lines, in ABIDJAN and such other optional exchanges or equipment as may be required by the ONT.

2 — Finance

Finance for the project is assured jointly by the African Development Bank (ADB) and the Ivorian Government.

3 — Tendering Conditions

The tender is open to maufacturers and suppliers of digital exchange systems in member countries of the ADB and whose equipment is produced in these countries. The digital exchanges offered must have been already proven in service.

4 — Tender Document Collection

The tender documents will be available to be collected from the 20th May 1985 at the following address:

Services des Marchés
Bureau des Appels d'Offres
4ème étage Porte 04-01
Postel 2001
ADBIJAN

on payment of F200,000 CFA by cheque or bank order, signed by the manufacturer or supplier, made payable to:
"Office National des Télécommunications de Côte d' Ivoire."

5 — Return of Tenders

The tenders must be delivered not later than 17.30 on the 20th August 1985 to:

Direction de l'Office National
des Télécommunications
Service des Marchés
Bureau des Appels d'Offres
4ème étage Porte 04-01
Postel 2001
ABIDJAN

6 — Enquiries

All enquiries during the preparation of tenders must be made in writing or by telex to the "Service des Marchés" for administrative information and to the "Département de la Production, Projet Plateau III, Postel 2001" concerning all other matters.

Director National Office of Telecommunications

Postel 2001
ABIDJAN
01 B.P. 1838
COTE D'IVOIRE
TELEX: 23790 or 23758

Announcements

"HAPPY BIRTHDAY WOLFRAM"

Personal

SWIMMING POOL solar covers and rollers also pool liners at economic prices. 0494 774080.

THE ARTS

Lontano/Elizabeth Hall

David Murray

Enterprising as usual, the young Lontano ensemble offered local or world premières of music *by four composers* on Monday. The oldest music was by the *oldest* composer, a pair of pieces from the 1930s by the legendary Conlon Nancarrow. Now 73, Noncarrow has for many years been living in Mexico, devising music for player-piano, tapping possibilities beyond the range of merely human pianists.

The Sonatina para piano and the tiny, frenetic Toccata for violin and piano showed how natural it would be for him to explore that specialised medium. The Sonatina, which represents its American period with an added-note blues and a *fugato* finale, squeezes an enormous number of notes into five minutes; coolly organised, terrifically energetic. Shelagh Sutherland played it with a will, though a more hard-fingered pianist (less musical, even) would be the ideal exponent. For the Toccata, Sophie Langdon's flying violin was backed by a pre-recorded instrument; the piece went off like a rocket.

The West Coast composer William Kraft's *Gallery 83* was much milder stuff. Prompted by three paintings — Monet's "Waterloo Bridge," a Jackson Pollock and the composer's own "Kandinsky Variations"—it makes nicely balanced neo-Impressionist sounds (though a celesta ostinato instantly recalled the Schoenberg of the op 16 Orchestral Pieces).

More elaborately wrought and more vigorously original, the American Roger Reynold's *Mistral* is the result of a chilly encounter with that ill wind. It has blown up something good, a concisely rich construction for twin trios of strings, the same of winds, and an amplified harpsichord. In 19 minutes a set of musical paragraphs is shuffled and re-shuffled, building steadily in intensity. Reynolds' harmonic language is pungent, his musical diction elegant and communicative. Odaline de la Martinez conducted a lucid performance; the pacing of the *recule pour mieux sauter* lull before the climactic close misfired slightly.

George Newson's new *O My America*, a BBC commission, is a big open-textured fresco, a "European response" to that vast country, with travel-vignettes from Nabokov's *Lolita* declaimed by a speaker against a melodious tenor with other apposite texts. (Neil Jenkins sang suavely and sensitively; I thought Neil Cunningham's declamation too purple for some of Nabokov's ironies.

A sonorous wind band carries the music, with piano and xylorimba flourishes, and two low strings assigned to Newson's strong, cogent bass line. The whole combination is risky, but boldly calculated and — just about—successful.

Isaac Stern/Festival Hall

Andrew Clements

Isaac Stern is a regular visitor to London, but only rarely to give solo recitals. On Monday evening he was partnered by Jean-Bernard Pommier in a programme of four violin sonatas which differed substantially from the one originally announced, but which proved to be eloquently, sometimes powerfully impressive.

Stern's appearances nowadays invariably have their moments of danger when everything goes awry; this time they were very few, mostly shrugged off in the opening movement of Beethoven's A minor sonata Op. 23, made fiercely combative, and, later, delicately restrained.

That was but mild limbering up for Fauré's A major sonata; warmly, subtly conceived in its opening movement with unselfconscious, conversational ease between the two partners in the development, its Franckian chromaticisms quietly savoured. One questioned only the *insistency of the scherzo*—attacked with Prokofiev-like vigour; certainly not the grand presentation of the finale, which caught the full emotional weight.

Pommier's support throughout was considerate, never overemphatic; ensemble was impeccable. In Copland's Sonata of 1943, the main interest lies in the cunningly suspended diatonic chords of the piano-writing; not—for me—one of the composer's more successful essays in his populist "New Deal" style. Stern's playing of it was lucid and uncomplicated; some violinists may have brought out the dance accents of the finale more strongly, but here the effect was fragile and poetic.

By the time he reached Brahms' D minor sonata, Stern was playing with a freedom and assurance that was irresistibly involving. Again the music-making was conceived on a grand, dramatic scale, with scarcely a break between movements lest the intensity be broken. A flawless cantabile line in the Allegro, profound lower-string warmth in the Adagio; most fascinating of all perhaps was the way in which each of the finale's subsidiary themes was nursed carefully along, given its own distinctive shape in the elegantly laid out scheme.

Orwell and Swift

Anthony Curtis

This year's George Orwell Memorial Lecture, "Orwell and Swift," was given by Michael Foot on Monday. Bernard Crick, *Orwell's biographer*, was in the chair.

Orwell is on record as saying that he first read *Gulliver's Travels* when he was "eight years old at the most, and it's lived with me ever since."

While proclaiming *his lasting* admiration, Orwell also parts company with *his literary* mentor on the grounds that: "He couldn't see what the simplest person sees, that life is worth living and human beings, even if they're dirty and ridiculous, are mostly decent."

The main thrust of Mr Foot's lecture was a fascinating *attempt to exonerate Swift from* this charge of myopia. He presented a Swift who was a model of sanity and good sense, not merely a powerful engine of destructive satire. He denied that Swift ever declined into madness, as so many biographers insist he did. All the eloquence of one skilled in adversarial political argument was applied to this new-look, ultimately benign Swift.

Movingly, Mr Fot read that episode from the voyage to the Houyhnms where Guliver takes leave of his equine masters and joins the human race. He singled out the sorrel nag, the horse-servant who had formed an attachment to Gulliver, as an essentially Orwellian character, a potential Winston Smith, someone who does not always run with the herd.

It became clear from questions after the talk that not everyone agreed with this revisionist view of Swift, not least *the chairman*. But Mr Foot deftly parried all attempts to shift him from his stand. He dealt in typically able manner with the points raised, including a tricky one about Swift's attitude to the Irish Catholics.

Television/Christopher Dunkley

Early birds catch the clichés

If you were selecting a single five-second clip to illustrate the current state of breakfast television you could hardly do better than the moment *last Tuesday* morning on ITV's *Good Morning Britain* when Anne Diamond said "Now you breed budgerigars, yes?" and David Bailey, a famous photographer replied "No, I don't breed budgerigars." The exchange was stereotypical in that it occurred in the studio, with the presenter and "guest" on sofas, one of them (Bailey) *looking understandably* bleary eyed, the subject matter was trivial, the presenter's background information was inaccurate (it turned out that Bailey had, once upon a time, bred parrots); and everybody was *able to do a tremendous* amount of that forced laughing which plays such a large part in breakfast television.

But let's be fair (after a week concentrating on breakfast programmes it is almost impossible to avoid expressing yourself in clichés): there must surely be good things to say about these early morning programmes? Well, the presenters on both ITV and BBC1 are pleasant enough, and although those on ITV may not be the world's greatest journalists they do have the *common touch*, plus a hint of Wogan; they read autocue smoothly and are never at a loss for a well worn phrase.

ITV's Anne Diamond is especially easy on the eye. It is no great surprise to learn that she is to replace *Judith Chalmers* as compere of *Miss World*. *Those* who complain that Miss Chalmers is being victimised because, at 48, she looks more womanly than girlish, and who assert that such considerations are not applied to men, should remember that this cuts both ways: *Debbie Greenwood's route* via the Miss Great Britain title to the BBC *Breakfast Time* presenter's chair vacated this week by Selina Scott (another dishy-looking girl who can hardly have been selected for her towering journalistic talents) is barred to men.

And if the objection is that women should not be selected for their looks then, as viewers, we are entitled to ask why not. In a medium so concerned with pictures why should the gift of good brains count for so much more than the gift of good looks? It should be just as much a part of a producer's job to tell Wincey Willis at TV-am to have her teeth and her ghastly haircut attended to—after all, we have to look at *them*—as to ensure that the presenters have adequate research about their guests.

But (forgive the cliché) I digress. What else can be said in favour of the breakfast programmes? ITV have brought back news-reader Gordon Honeycombe, which does wonders for their image. They *also serve children fairly well* — assuming your children like rock music and old animated cartoons — and on Sundays they devote a large part of their programme specifically to child viewers, though it is a *mystery why they find it desirable* for so many Sunday presenters to have American and Australian accents, and it is embarrassing to see a man like David Frost reduced to dishing out prize sweatshirts for "Write A *Photo Caption*" *competitions*.

Debbie Greenwood of BBC "Breakfast Time"

As a general rule the BBC *gains immensely over its competitor* by being able to use the Corporation's worldwide news structure. Once in a blue moon, events turn the breakfast programmes into news showcases. It happened with the *Brighton bombing, when ITV's* lack of news facilities showed them up shamefully, and again last weekend when the ITV programme was able to call on Yorkshire Television's dramatic coverage of the appalling fire at Bradford. *Also in the BBC's* favour — so far as I am *concerned, anyway* — is *its general* tone which, in Fleet Sreet terms, seems designed to appeal to a public somewhere between the readership of the small tabloids (Mirror, Star, Sun) and the bigger tabloids (Mail and *Express*), *whereas ITV's breakfast* programme is now aiming determinedly below the market of every paper in Fleet Street.

The difference in approach between ITV and BBC became clear last week on the day that Lt General Daniel Graham appeared on both programmes (not an uncommon occurrence: there will soon be a *groove worn on London's West*way by those driving at dawn between Camden Lock and Lime Grove) to talk about *America's* "*Star Wars*" *plans*. At ITV, the only person capable of questioning him knowledgeably was another of the programme's guests, Jonathon Porritt, the director of Friends of the Earth. At the BBC he was interviewed efficiently by Frank Bough, and no doubt Sue Cook could have done just as good a job.

Such interviews are hardly typical of the output of either service, however. Both ITV and BBC are *shameless in their use* of cheap — if possible, free — material. Both are keen on rock videos, which allow them to display expensive footage for nothing. Both are keen on promoting their own forthcoming editions; the BBC, *perhaps*, using trailers to fill even more time than ITV. Both sides also promote other programmes on their respective networks; ITV devoted a comparatively long time to an edition of *Link* last *Friday, for instance*.

Both, also, are blatant in their parasitical dependence upon the Press. For newspaper journalists it is flattering but also astonishing to see how, (in what is supposed to be the age of the *electronic mass medium*) television still looks to Fleet Street to decide the news agenda. Not only is the comparative significance of events dictated by newspaper coverage, but newspapers are also used *as the main source* of ideas for feature material—and on both stations for a daily "look at the papers" spot by another guest.

"Guests" are, of course, a primary feature of both programmes. *Here, once again*, the chief consideration is clearly not subject matter. Whether it is David Cassidy hyping his new LP, Anita Harris promoting her show, Strawberry Switchblade publicising their video, *Oliver Tobias* boosting his movie, Sally Brampton advertising her new magazine, the Clancy Brothers plugging their tour, or Andrew Neil puffing the Sunday Times (just some of those seen in the past week) cost-effectiveness is obviously the programmes' primary criterion. With the broadcasters conniving so enthusiastically at all this plugging it was curious to hear Frank Bough suddenly turn on a Coca Cola executive on Thursday and tell him to stop the commercials. Who invited Coke along to plug their "new" *flavour in* the first place?

Breakfast television was launched in Britain *two years* ago with a lot of ballyhoo. Peter Jay and his "Famous Five" trumpeted their "mission to explain." But when the BBC beat them *onto the air*, pitching their appeal uncharacteristically, at the centre of the tabloid market, the Famous Five—Robert Kee, Anna Ford, Angela Rippon, David Frost and Michael Parkinson—found themselves with *virtually no* audience. They were labelled slick, stuck up, and pretentious. All but Frost disappeared and, with the Independent Broadcasting Authority turning two blind eyes to the conditions of their contract, *TV-am launched* a desperate rearguard action. Today the most popular segments of their programme are watched by 2.5m viewers; the BBC figure is only 1.5m.

TV-am's figures have been achieved by plunging down market. *If they have a mission* today it seems to be the reduction of all subjects to the condition of garden-fence gossip: time-filling, amiable, poorly informed. Indeed, so vivid does the memory of the Famous Five seem to be that TV-am now go *to comical lengths* to avoid any hint of "lecturing" or expertise. Even the *sports reporter's* material tends to be imparted as chit-chat with another presenter. That astrologer Russell Grant should have become the star performer in the BBC programme, with a greatly enlarged *Monty Modlyn type rôle* as the naughty-but-nice voice of the people, is an indication that the BBC is determined to stay in the scrap and fight for the bottom end of the market.

Since television news and current affairs have always tended to overlook the Daily *Mirror*/Tit Bits segment of the audience—the biggest segment —there was room here for a programme. The pity of it is that both breakfast series have now gone for that segment (the BBC aims marginally higher) *so that British television's traditionally* high standard of news and current affairs is absent from the day's largest news and current affairs slot.

American Festival/Bloomsbury

Clement Crisp

The events planned for the Bloomsbury Theatre between now and the end of the month are given the general title of "A bite of the Big Apple" under the assumption that we are sampling something of the New York avant-garde. If Monday's *opening programme, with its* mixture of video, dance, percussion and excessive talk, is anything to go by, then the bite is a small one, from the less nourishing part of the fruit.

The outstanding item was a dazzling performance by four percussionists from the New *Music Consort of John Cage's Third Construction*, a virtuoso exercise in electric rhythms, fascinating sonorities, brought off with sustained bravura. The four players, amazing in their mutual response, built Cage's construction with marvellous assurance, and ill-mannered *guffaws from some members of* the audience detracted not at all from the work's power, drawn from a massive range of drums, gourds, wood-blocks, even a conch shell, to create a thrilling sound world.

The rest of the evening was altogether less compelling. A brief and presumably comic video by Pooh Kaye showed what looked like derelicts whizzing about in "fast-forward" motion in a deserted water-side building, Keystone-Cop fashion. It seemed amateurish, tiresome.

The Gus Solomons' Dance Company provided a thin piece of choreography for five men and a girl to pop music, mildly jovial in tone and anonymous *in style. Sheila Kaminsky was* seen in a solo in which she explored, I assume, a woman's loneliness against a background of distorted answering-machine noise and pale film projections.

The Gael Stepanek Dance Company embarked on what was announced as the first part of *Stops along the way*, which proved to be an illustrated lecture, low on dance content, about the contrasted sexual attitudes of women and men. There was talk about bodily mutilation of women (less than engrossing in its comment upon what was quaintly called "scarification") *and a revue sketch illustrating* passages from a sex manual dealing with copulation in the bath—which turns out to be as erotic as a cold shower.

It was, in sum, an earnest evening, and altogether too *self-indulgent. Anyone wanting* a real taste of the Big Apple, rather than its pips, will do better to go to Sadler's Wells, where Merce Cunningham opened a season last night.

Lonely Cowboy/Tricycle, Kilburn

Michael Coveney

Whatever the impact of the Scarman Report on the Brixton community there are few signs of peace and integration in Alfred Fagon's new comedy. The new black community *policeman* ("*Mornin' all*") *is* as much a figure of fun as is the Rastafarian poet with his promise of no more white sliced bread and the coming of the freedom train in the local hall. And working the ganga, or marijuana, along *the front line is* the easiest way out of the dog fight.

Flight and Gina, in whose newly opened but dispiriting "Lonely Cowboy" cafe the play is set, are trying to make an honest go of things, despite Flight's residual street habits. *Outside, the police sirens* wail every two minutes. A city slicker, Stanley (Trevor Butler), wins the willowy Thelma (Beverley Michaels) with his opening gambit before losing a box of ganga to the thieving Wally (*Chris Tummings*). *This* is the first of several unlikely physical explosions; the reported aftermath of Stanley marauding the Brixton front line on a stolen bicycle before landing in prison is much funnier.

Wally refers to "the great success of the riots" which have left them all much worse off. The interesting point in this latest offering in the ongoing Black Theatre season is its picture of post-Brixton empty mellowness. Gina, beautifully played with snappy tolerance *by Angela Wynters, wants* to hear nothing of music or "back to Africa" politics. The political will in Fagon's community has drained away; even the new café venture looks doomed after seven days. None *of this prepares you for the* violent upshot of knives and gunfire. But even that is more comic than disastrous. The off-duty policeman (Calvin Simpson) sombrely takes a smoking gun in his handkerchief. *The cowboys have been* having their fun again. The Western analogy is underpinned with the choice of music and the swagger of the drug traffickers.

But the writing falls to pieces when the deals are hastily placed in their larger organised *context or when marital partner*ship is renewed. Nor does Nicholas Kent's production solve the problem of a succession of contrived and over-convenient exits and entrances. Still, a modest lively enough evening if the assessment of the popularity of black poets among their own people bodes ill for the proposed Black Arts Centre

Punch's Passion/Brighton Festival

Ronald Crichton

Way back in the 1960s the Belgian composer Henri Pousseur wrote a "mobile" opera called *Votre Faust*. "Mobile" meant alternative endings. The *fourth of these alternatives* has now been worked up, in collaboration with the Brazilian Paulo Cesar Chagas, into a new *Passion According to Punch* for orchestra and four amplified voices.

The *Passion* was given its British premier at an Invitation Concert in the Brighton Dome on Sunday, from the BBC Symphony Orchestra and Electric Phoenix. Ronald Zollman conducted with commendable cool*nes and confidence, starting in* at short notice for the indisposed Oliver Knussen.

Punch is a parody work with literary and musical quotations. Church music, opera, and various popular styles jostle together. In this performance, at least, the large orchestra *frequently drowns* the words even in the mouths of the versatile (and strongly amplified) performers of Electric Phoenix. The text was not given in the festival programme, neither was the name of the author. The result was *mildly entertaining*, with not much left to do but admire the adroit way the composers slip from one style *to another*, and wonder why they needed such a large band.

The remainder was Stravinsky —the Circus Polka and *Pulcinella*. Neither work is an obvious choice today for a BBC Invitation; an umbrella which probably attracts a smaller audience than they would otherwise draw. Both scores, however, are directly relevant to the festival theme of clowns and clowning. *Pulcinella* might well claim to be the best *commedia dell'arte* score in existence.

The complete ballet was given with Deborah Rees, Martyn Hill and Henry Herford as the soloists. A decent performance, with some fine instrumental detail, but not enough gusto. A suspicion of gentility weakened not only the rowdier pages but even the soprano's "Se tu m'ami." Gentility is as out of character for Stravinsky as for the good tune by Pergolesi or whomever which he handles so enjoyably. On the other hand the fingers built excellently with the slow trio, where Stravinsky creates exceptional resonance with the simplest means.

Photography/Lewis Baltz

Gillian Darley

In 1978-79 Lewis Baltz, a young American photographer, decided to photograph a new town in the making; not one carefully planned, with balanced social *objectives*, but a one-track-minded development — Park City, Utah, a "resort suburb" not far from Salt Lake City. Rather like Roger Fenton at *the Crimea, one imagines*, he stood with his tripod taking a meticulous series of photographs. The 102 images he caught are the subject of an *exhibition at the Victoria* and Albert Museum — a bleak chronicle of an unpeopled, apparently random creation in the semi-desert.

The myopic view he extended to it all—naked power points, scribbles on the plasterboard, houses dumped never-mind-how in the sand—makes the series oddly compelling. By focusing so close, so neutrally, it is a ferocious comment upon a meaningless *place, best summed-up* in its own appalling jargon as a "new bedroom community" (for bedroom, read dormitory) in which landscape is *transformed crudely into real* estate.

The scene represented is a strange one to European eyes; we fight over each lost green acre as the urbanisation of scant space presses on. In the U.S. the wastes *remain*; the brake—at least in the south-west—is applied only when the terrain is utterly unyielding, withholding even water. If one stretch of land repels the invader there is, so far, always another available.

There is a school of *American topographical photo*graphers whose subject matter is this unremitting process of change — and inevitably, given the theme, the *images are spare, disturbing*, minimalist. Much of the impact of the photographs in the exhibition comes from the fact that they are sequential—although there is no end, no rose covered condominiums to make *it feel more comfort*able. Of course, the expectations that the place arouse are no more than that of a serviced dormitory, linked by *little other than tarmac and* a country club—and a need for the open air, for this is a ski resort. In fact, this is ski sprawl; the recreational *variant* upon urban sprawl.

The intention of photographs is, *evidently*, to be unsettling. It is a view of waste, of encroachment, and of purposelessness in the name of a fast buck. Quite an indictment and one which could, perhaps, effectively be made only in the cool, rarified atmosphere *of a fine* art exhibition.

Saleroom/Antony Thorncroft

Phillips first major sale of Impressionist and modern pictures in New York on Monday night was disrupted by a bomb scare which cleared the auction room. *Phillips* were resuming yesterday, but with the rhythm broken, and the chance that many buyers may not be able to attend, the omens for what was planned as an important breakthrough sale are not too bright.

Of the lots sold, a still life *of peaches and nuts by Renoir* was on target at \$100,000 to a *Tokyo dealer*, but the most important picture on offer, one of Cezanne's male bathers, which carried an estimate of around half a million dollars, was unsold. A Vlaminck village scene made \$42,000 to the same Tokyo dealer, and a small Cezanne landscape \$46,000.

Christie's Geneva sale of European porcelain, most of which was *Meissen, did quite* well, for a total of £502,030. *Most of the* major lots found buyers. The most interesting section was 23 figures from the famous "Cris de Paris" series.

Modelled from 1753, the 36 characters representing the street criers of Paris, was the most extensive figure series produced at the Meissen factory. Twenty-three were offered for sale at Geneva, including the *only known example of a figure* carrying its date of manufacture —a Peepshowman of 1756, which sold to the London dealer Winifred Williams for £16,819.

Top price in the auction was £23,547 paid by a Munich dealer for a Meissen gold mounted chinoiserie snuff box, painted around 1728 by Johann Gregor Herold. A Meissen kakiemon-shaped toilet box, once the property of Augustus the Strong, sold for £20,183.

Christie's sale in London of English drawings and watercolours went according to plan, with a total of £201,187; only 9 per cent unsold. A watercolour portrait by Rossetti of Elizabeth Siddal, the model who became his wife, but died within two years, was bought by Delaware Arts Museum for £25,920. The portrait carries an early dating of 1854, six years before the marriage.

Another drawing by Rossetti, of Desdemona, from Othello, sold for £15,120 (as against four guineas at Christie's in 1883). A 1907 watercolour by Archibald Thorburn, of a duck on icy marshland, did well at £12,960.

The London dealer Christopher Wood paid the same sum for a Rossetti *drawing of* Mrs William Morris sewing, and

Arts Guide

Music/Monday. Opera and *Ballet*/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each *Friday*.

May 10–16

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of back*stage shenanigans on tour* with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half *and a dwindling reliance on* indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (*Palace*): *Rodgers* and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

The Government Inspector (Olivier): Striking but *unfunny revival* with under-equipped TV comic Rik Mayall *playing* the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as *nightmarish tedium*. New translation by Adrian Mitchell. (928 2252).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to *Pinter's early revue sketches; and* last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 6243).

Jumpers (Aldwych): Confident almost *sober revival of Tom Stoppard's glit*tering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid *and overblown idea of theatricality*. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (*Helen Hayes*): Harvey Fierstein's ebullient and touching *story of a drag* queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now be*come a stalwart Broadway presence* despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

The Real Thing (Plymouth): *After* 14 months in London, Tom Stoppard's *latest giggle* at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright *Neil Simon* can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the *French film manages, barely, to cap*ture the *feel* of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Strange Interlude (Nederlander): Glenda Jackson carries on an appreciated tradition of bringing American classics to New York from Lon*don in this marathon production in* which director Keith Hack wisely makes the asides an integral part of the conversation. Limited engagement ends May 5. (921 8000).

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Wednesday May 15 1985

Revival on the European left

THE LEFT is once again scoring points in European politics. The British Labour Party has begun picking itself off the floor. In the North-Rhine Westphalian election on Sounday the German Social Democrats landed a haymaker on the Christian Democrats and their Chancellor, Dr Helmut Kohl. But the phenomenon is not Europe-wide: President Francois Mitterrand of France and Mr Olof Palme, the Swedish Prime Minister, both look groggy.

The common element is that parties in power at national level—be they conservative as in West Germany and Britain, or socialist as in France and Sweden—are having difficulty maintaining their hold on the electorate at times of high unemployment and with policies of varying degrees of austerity. One of the rules of thumb of democratic policies seems to be asserting itself: voters' hearts are close to their pocket books.

Wage increases

How then may one explain the setback suffered by the Italian Communists in the regional elections held on Sunday and Monday? The honours went to a coalition government spreading from centre-left to centre-right which has been trying with some success to tidy up Italian finances and, rather more successfully, to bring down the inflation rate.

Such rectitude, as far as it goes, is relatively new to Italians. They seem to have liked it since it has given them real wage increases. That cut away the ground under the Communists who are campaigning for the restoration of potentially inflationary full wage indexation.

But more specialised factors are at work in Italy. A wave of sympathy after the death last year of their leader, Sig Enrico Berlinguer, helped the Communists for the first time to pull ahead of the Christian Democrats in the elections to the European parliament. That effect has worn off. The established pattern of Italian party politics has been reaffirmed which keeps the Communists tantalisingly close to power but so far has always denied them the real breakthrough.

The novelty in Italy is that the electorate appears to be reasonably happy with government by Sig. Bettino Craxi, a Socialist, though there is nothing especially socialist about the policies of his coalition. If perpetuated this could eventually portend less volatility in Italian politics, but the basic pattern has not changed.

In West Germany, on the other hand, an important change appears to be taking place. After the fall, in 1982, of the last Social Democratic Chancellor, Herr Helmut Schmidt, his party for a long time was unable to find its feet. Its clear cut victory in North-Rhine Westphalia, following upon an equally convincing win in the Saarland, bids fair to re-establish the party as a credible opposition and the alternative party of national government.

But the Social Democrats have some way to go before achieving that objective, let alone before they can win a federal election. They will have to regain support on their right, as Herr Johannes Rau, Premier of North-Rhine Westphalia, has done. Yet they must not risk losing too much support on their left. That task may have been simplified by the apparent decline of the Greens, who look more and more like the lunatic fringe of German politics.

Lunatic fringe

Above all, the Social Democrats will have to find an unambiguous defence policy. In a conservative society, the attempt to build a Social Democratic government upon an alliance with the "Ecopax" (ecologist and pacifist) and upon anti Americanism groups is bound to fail.

The party leader, Herr Willi Brandt, appears to have decided to give German social democracy a push towards the centre. The battle for the party's soul will occupy the rest of this year at least. The party itself and Germany's allies could only profit if it were to bring the Social Democrats into a position where they are a credible and genuinely alternative party of government within the historic political consensus of West Germany.

Mr Pym breaks a mould

THE formation of the Conservative Centre Forward Group under the leadership of Mr Francis Pym will deserve at least a footnote in British political history. The Conservative Party has always prided itself on the fact that it does not form groups: dining clubs, yes, but groups were for the Labour Party or for Tory supporters who operate mainly outside Parliament, such as the Bow Group. Mr Pym and his friends have broken a mould.

Yet the gentlemanly, even patrician, version of Tory history has never been quite true. The Conservatives quarrel internally like any other political party, whether over the corn laws, tariff reform, membership of the European Community or, nowadays, unemployment. They just conceal their disagreements better.

Still, Mr Pym has moved a step forward by bringing the obvious discontents of sections of the party more into the open. He would not have done so if he did not believe that the Conservatives, the Government and the country face very serious problems.

Less persuasive

Some of the language in his article in the Daily Telegraph yesterday and in his Oxford speech last night is extremely strong: for example, his claim that under six years of Mrs Thatcher's premiership "we have endured the decimation of *our industrial base, yet have* emerged as uncompetitive as we started." Again: "We came to power committed to reduce unemployment over time. Yet it is now nearly three times higher than in 1979." No government can afford to take such charges lightly, especially when they come from its nominal supporters and—on employment at least—happen to be accurate.

Mr Pym's proposed remedies, however, are less persuasive. He calls for substantial reductions in employer's national insurance contributions. The Government has been doing that steadily over the years. He wants greater investment in the public sector. The Government already invests quite heavily, though Mrs Thatcher does not always like to say so. He demands a coherent policy towards the exchange rate, but does not say what it should be nor, indeed, whether such a concept is possible in the real world.

Much of the rest comes straight from the 1960s: regional policy and industrial strategy. Mrs Thatcher was elected in 1979 precisely to get away from such will-o'the wisps. Arguably, she did not do so fast enough, early enough.

There is time to recover, though no longer all that much. The next few weeks will be crucial, partly because so many decisions will be made which will determine what goes into the Queen's Speech in the autumn. The Government lost much of this year because of its attempt to abolish the Greater London Council and the metropolitan authorities without knowing how to do it; even now it is not quite certain that it will prevail over the opposition from the House of Lords. It cannot afford similar embarrassments in future over half-baked attempts at reforming the social security system or domestic rates.

It is in trouble, too, over the teachers. There are times when a government must lead. Sir Keith Joseph, the Education Secretary gives the impression that he thinks the teachers will come back to the negotiating table this year, next year, sometime, never. That is beginning to look damaging politically.

Recovery time

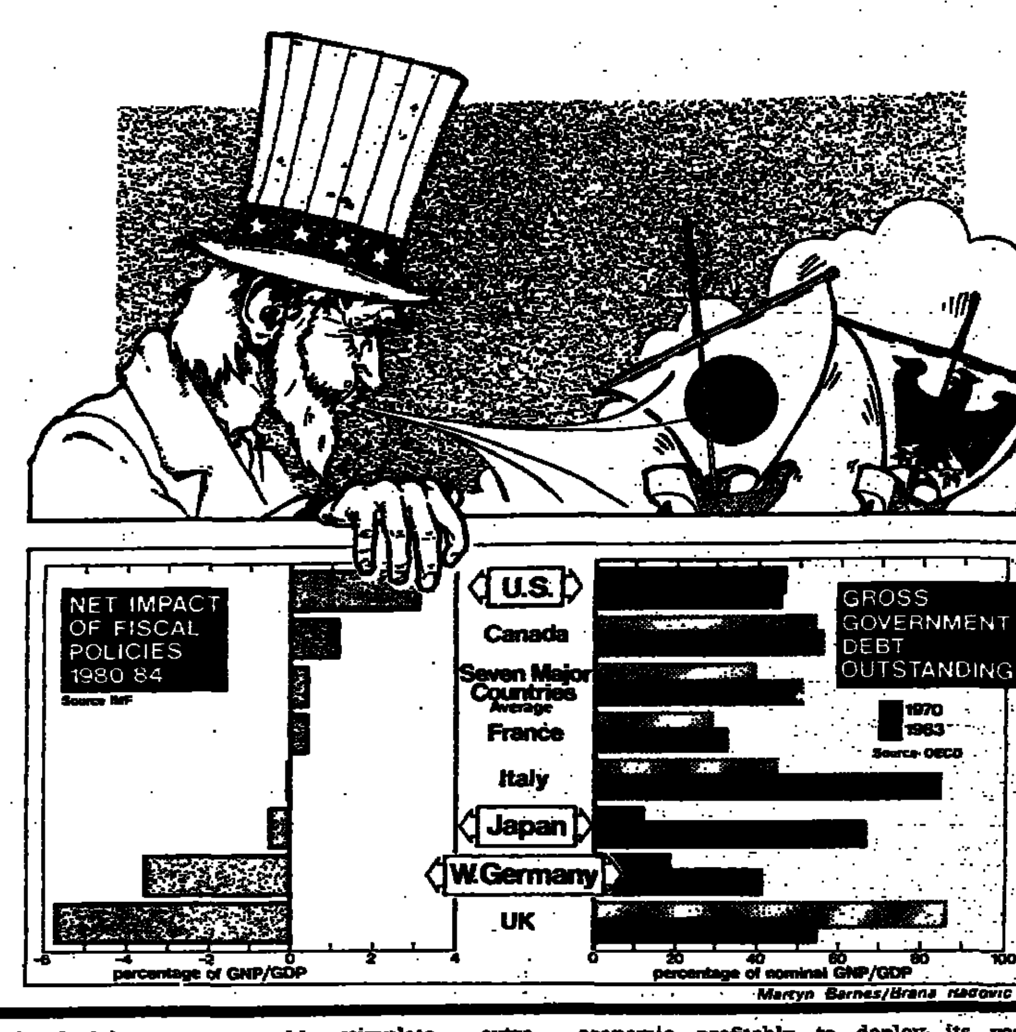
Yet the fact remains that Mr Pym would not have spoken as he has if he did not believe that there was something seriously wrong. There is. Two years into its second term the Government's prospects for winning a third do not look as bright as they should. It has begun to look a messy administration, not always competent, bogged down in the details of ill-thought-out legislation, even accident prone. And it has ceased to appear radical.

The next Queen's Speech should preferably be short and should concentrate on legislation which genuinely advances the Government's central objectives. Mrs Thatcher was elected to be radical, not to tinker with the status quo. She could do that by returning to the reform of the tax system and developing the market economy.

After the economic summit

Why Germany and Japan are reluctant to take up the slack

By Anatole Kaletsky, recently in Tokyo and Bonn



WILL Japan and Germany boost their economies by cutting taxes? Although Mrs Margaret Thatcher assured the world that the word "reflation" was not even mentioned at the Bonn economic summit, few other gatherings on business or economics these days can afford to dismiss this question so cavalierly.

In fact, as U.S. officials were making plain before the summit, the attitudes to tax cuts in Japan and Germany could shape the world economy for several years to come; they could even make the difference between a continuing economic expansion, and a relapse into worldwide slump, exacerbated by protectionism and banking crisis.

On current policies, the International Monetary Fund's forecasts published two weeks ago predict, for example, that U.S. growth will drop from 6.8 per cent in 1984 to 3.4 per cent this year and 3 per cent in 1986, while Germany continues to stagnate at around the 2½ per cent level this year and next, and Japan falls back from 5.8 per cent growth in 1984 to 4½ per cent in 1985 and 1986. In fact, many private economists expect the slowdown in the U.S. to be much sharper from the latter part of this year onwards—U.S. growth as low as 1 per cent is becoming a common forecast.

Such a relapse into near-recession in America would push world trade well below the safety threshold for developing country debt problems, to say nothing of the protectionist forces which it might unleash in Washingon before the Congressional election in November 1986.

Yet, in theory, such nasty consequences could readily be avoided. Japan and Germany could implement some substantial tax cuts during the next six to nine months, thereby boosting—a year or so later—their domestic growth rates, their imports from other countries and hence *their contributions* to worldwide economic expansion. Disputes still rage, of course, about precisely *how* such tax cuts would work — whether by adding to Keynesian demand or by harnessing the entrepreneurial "supply sides" of the Japanese and German economies—but there is little disagreement among economists that growth *would* be stimulated by tax cuts one way or the other. If the U.S. government succeeded in reining in its budget deficits, some countervailing action in Japan and Europe might become even more urgent.

Accordingly, a broad c onsensus now exists among economists, particularly in America, around what Morgan Guaranty Trust has recently called "the crucial importance of expansionary policies in Japan and Europe concurrent with U.S. fiscal progress."

Yet, in reality, it is by no means clear that either Japan or Germany is likely to change its fiscal plans in a more expansionary direction — or even to think seriously about additional tax cuts on a "contingent" basis if the U.S. and world economies continue to decelerate.

For in the finance ministry and central bank bureaucracies which frequently have a decisive say in both these countries' economic policies, there is a higher priority than tax cutting or even sustaining economic growth: public-sector deficits must be reduced. In their relentless pursuit of this objective, the bureaucrats of Germany and Japan sometimes make Mrs Thatcher look like a woolly-minded ditherer.

Between these policy-makers *and some* of their *Anglo-Saxon* counterparts, there appears to be a kind of intellectual language barrier.

Consistently successful records have helped to protect the German and Japanese official from criticism or prying—on the intellectual, as well as the political, level. The habits of working with solid national consensus, have bred in the German or Japanese economic official the undemonstrative, but stubborn, self-confidence of a master craftsman, not the argumentative but uncertain disposition of his counterparts in the finance ministries of Britain, America, or even France. The German or Japanese official is more like a violin maker who knows from experience exactly how to fashion a perfect instrument, than a professor of acoustics who tries to analyse the theoretical underpinnings on which the craft is based.

It's not the Germans' intel*lectual tradition to be too* rigorous about economics. The Japanese usually say nothing unless it affects them directly. The British are nearly always the most articulate economists, and it's usually a Briton or American who gives the clearest theoretical analysis at any of our meetings," says one top official in an international organisation. "The Germans sometimes seem to follow nothing but their vague intuition—but if they believe they're right, they act on them with total determination," says another.

The powerful intuition which the Germans and Japanese share today is that their countries are saddled with excessive national debt burdens, which must be contained at almost any cost. They place the blame for this situation on a decade of experimentation with ideas about demand management policies, mostly imported from America and Britain.

Japan's national debt has grown five-fold in relation to GNP, from 12 per cent of GNP *in 1970 to 67 per cent of GNP* in 1983; Germany's has more than doubled, from 18 per cent *of GNP to 41 per cent in the* same period. During the same period national debt burdens in America, Britain and France have broadly stabilised or even diminished.

The contrast between these two groups of nations goes a long way to explain the hostility with which German and Japanese *officials today respond to* any proposals for international economic co-ordination which would place upon them an undue "burden" of stimulating world economic growth. Since the oil crisis of the mid-1970s, growth has slowed throughout the world and governments have tended to run larger budget deficits than in any previous period of peace-time history. General government deficits averaged 3.8 per cent of GNP from 1975 to 1984 in Japan and 3.1 per cent in Germany.

The growth of deficits was due to the same factors in all countries: after the first oil shock there was a widespread belief that high unemployment and slow growth would be a temporary "cyclical" phenomena and that governments should deliberately offset reductions in private sector demand by cutting taxes or boosting public spending.

In Britain and America, however, national debts rose little, if at all, in relation to GNP during the 1970s because of rapid inflation, which ate away the debts' real capital value. In Germany and Japan, on the other hand, inflation was kept under control, while government deficits were allowed to rise even higher than in America and Britain because these countries' previous records of high growth encouraged greater optimism about their capacity to grow out of cyclical deficits.

Unfortunately history suggests that inflation is the most common way of reducing national debts to manageable proportions—and this is a point which Germans and Japanese, *with their* bitter experiences of hyper-inflation in the 1920s and 1940s, never tire of making. For this reason, they are not much impressed by the many sophisticated calculations which can be made about "optimal" debt to GNP ratios or claims that parts of their debts are really illusory—for example, because around one-third of Japan's gross national debt is actually *held by the government through* the social security funds.

They do, however, stress another theoretical argument: that debts will compound automatically into an ever-larger share of national income as long as real interest rates are higher than a nation's real rate of economic growth.

This means that the high interest rates which they feel are imposed on their economies by America's excessive budget deficits limits even further their room for fiscal manouevre. "If I was a businessman, I simply wouldn't think it was a good idea to borrow at real interest rates of 6 per cent to finance an economy which may not grow much faster than 4 per cent in the future—and I think it would be wrong to do this as a public servant either," says one Japanese official.

But the *objections* to deficit-financing and the accumulation of ever-greater debts seem to go even deeper. The roots of the problem are felt to lie in the 1960s, well before the economic slowdown hit both Germany and Japan.

"In the late 1960s there was a structural change in our economy and in our economic thinking. We started to expand the government share of the economy — and half of it or more we allowed to be financed by deficits, instead of taxes," says Dr Hans Tietmeyer, State Secretary and chief macro-economic official at the Ministry of Finance. On the basis of previous experience, there were good grounds for the belief that public spending could stimulate extra economic growth and thereby become partially *self-financing*; this was even more true in Japan than in Germany. But when the world economic slowdown struck in 1974, the firmly conservative consensus on economic decision-making built up in the early 1960s had been dented.

"It was only around 1966 that we introduced sophisticated economic policies; until then economics was seen as a job for craftsmen. *Unfortunately* those sophisticated policies on demand management were only applicable to specific circumstances and while I wouldn't want to do away with all the ideas we learnt, we have paid a great price for using them in the wrong situation," says Count Otto von Lambsdorff, the former German Economy Minister.

The measurement of this price in terms of excessive levels of national debt appears to have transformed political, as well as economic, thinkiug in both Japan and Germany.

German officials have become masters at explaining the underlying "structural" reasons why their current 2.5 to 3 per cent growth rate is really quite adequate for a country at Germany's level of social development — and certainly does not call for any significant stimulus beyond the very limited tax cuts already planned for the 1986 and 1988 fiscal years. They cite with apparent satisfaction the fact that Germany's population is now falling by roughly ½ per cent a year and point to a shrinkage in the workforce as the best hope for a reduction in unemployment. They speak with unexpected enthusiasm about the environmental constraints on economic growth and even about the German people's understandable desires for ever-greater leisure.

In Japan, too, officials wax lyrical with "structural" explanations of their country's declining growth rate, its inability profitably to deploy its vast domestic savings and its political damaging current account surpluses—all phenomena which conventional Keynesian economics would attribute to contractionary fiscal policies. Because Japan has caught up technologically with America and Europe, profitable investment opportunities are bound to have diminished, it is said. Because the population is aging, it inevitbly favours saving over consumption.

Some Japanese admit that certain macroeconomic imbalances could be reduced if the government spent more on public investment. Even if this investment had to be financed by extra taxes, it would tend to raise output because Japanese taxpayers currently save as much as 25 to 30 per cent of their incomes. But there is strong emotional resistance even to such balanced-budget policies: Japan may be short of housing, roads and sewers, but it also lacks the land on which to build them, officials and private economists repeat with remarkable unanimity.

Against such deep-rooted caution, efforts at international co-ordination are unlikely to make much headway in the near futre. As one German politician says, Mr Gerhardt Stoltenberg, the Finance Minister, is at present "so careful that if he was buying a house he probably wouldn't let himself take out a mortgage."

The Germans and Japanese, however, do not seem unduly concerned about the danger that fiscal tightening in America could make the U.S. recovery fizzle out, and with it the biggest stimulus to their own economies.

"If only the Americans would cut their budget deficits, interest rates would fall, investment would become more attractive and you would see more of our capital coming back to invest in our own economy," says a Japanese official. "The imbalance in the world economy is due to the U.S. deficit and it is their business to correct it."

Men and Matters

Irish style wins Petrolux

At lunch on the 20th floor of Baring Brothers yesterday, Michael Whelan, the founder and managing director of Aran Energy, showed no sign of the strain of the frantic negotiations of the previous night.

At midnight he had snatched control of the British oil company, Petrolex, just 15 hours before the closing date of an agreed offer for Petrolex by Saxon Oil.

The £15.8m Aran bid came as a complete surprise to the City of London, much to Michael Whelan's elation.

"All Hell broke loose when it was discovered that the cavalry had ridden in from the west," he said. "We aimed to come in at the end, before anyone had heard what Aran was up to."

Whelan, a 52-year-old Dubliner, learned about oil in his days as a lawyer with Shell Oil, Shell's U.S. subsidiary, and he developed the idea of an all-Irish oil company in 1972. It came to him following a long period in hospital after a serious car accident.

"When I came out of hospital with the plan everyone assumed that I had suffered not merely concussion, but permanent brain damage," he says.

Thirteen years later Whelan's audacious plan to snatch Petrolex from Saxon, a much bigger company than Aran, was equaly mystifying, even to the optimistic Irish.

"They were offering 50 to 1 against the deal going through, even amongst our own advisers in Dublin," says Whelan, who concedes: "It was very hairy. The merchant banks in London told me they had never been involved in anything like it."

"I know you call yourself a centre forward—which side are you playing for?"

Team games

Since news brok eof Francis Pym's dissident band of liberal Tory backbenchers—officially launched yesterday as the Conservative Centre Forward group—I have been trying to recall where I heard that title before.

Then it came to me . . . Centre Forward was the title of a book published in 1978 and subtitled: A Radical Conservative Programme.

The author?—An incorrigible Tory right-winger by the name of Rhodes Boyson.

His opus followed one by Sir Ian Gilmour, entitled: Inside Right.

And the next move . . .?

Mobil moves

After a decade and a half in power, the top management team is changing at Mobil Corporation—and on Wall Street they are wondering what difference Allen Murray will make to the lumbering giant of the oil industry.

Chosen to succeed chairman Rawleigh Warner early next year, Murray takes over at a low point in the company's fortunes. Its earnings last year were less than half those of four years ago; its return on equity is one of the lowest in the industry.

At first glance, Murray, 56, contrasts strongly with the Princeton-educated politician Warner. Murray came up the hard way. He started work at Gulf Oil as a 75 cents-an-hour mail-room clerk, switching to Mobil after he had been passed *over for a special training programme.* He went to college at night while working by day as an accountant.

Murray, say the industry's observers, is much more akin to William Tavoulareas, the combative ex-president of Mobil, who stepped down last year. Both men have been described as "street-wise" New Yorkers.

But whatever the change in personal background and style, the early signs are that Murray is not going to run things very differently from before.

Murray says he is not surprised by the current upheavals in the U.S. oil business, describing them as "the normal thing which happens in a mature industry."

He expects Mobil to continue its slimming—but believes most of the major surgery has already taken place; and he "is not prepared to write off Europe" where the company has been losing money on its downstream operations.

Mobil will also maintain its special relationship with Saudi Arabia, h says—but not again by paying above market rate to lift its crude.

Murray admits to being more optimistic than many in the oil business. Mobil will be producing more oil and gas in a few years than it is today, he predicts confidently. "Oil is still the biggest business in the world and is going to stay that way for at least the next 20 years."

Space at last

The long wait is nearly over for two veteran members of Nasa's astronaut squad. They have been hanging around for 18 years for their first trip beyond the atmosphere.

Anthony England and Karl Henize, both career scientists, joined Nasa in 1967, thirsting to sample the joys of a trip into space. Sadly for them America's space programme stagnated for more than a decade after the first moon landing. Flight opportunities were few and far between.

With the successful development of the space shuttle, manned missions are now taking place roughly once a month. Henize and England, now aged 58 and 43 respectively, will get their chance to join a seven-strong crew which is due to fly in July.

It must be galling for the duo that others have jumped ahead of them. David Leestma, a relative youth of 36, who entered Nasa's 90-strong astronaut team in 1980, grabbed his first flight after a wait of only four years.

Still more maddening must be the fact that two non-Americans will be journeying on a shuttle next month, several weeks before the patient pair. Patrick Baudry of France, and Sultan Salman Abdelazize Al-Saud of Saudi Arabia, will fly as guests of the American Government along with five Americans. That will be the first space flight to involve people from more than two nations.

Henize, however, may be comforted by the thought that his name will appear, at least for a time, in the record books as the oldest person ot enter space.

Unfriendly

A London journalist got a wrong number this morning. "Are you Friends of the Earth?" he asked.

"Certainly not," snapped an irate voice. "This is the Department of the Environment."

Observer

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
■ Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13½%
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14 %
■ Brown Shipley	13 %	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	13 %
Co-operative Bank	*12½%	Whiteaway Laidlaw	13½%
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Wintrust Secs. Ltd.	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%, 1 month 10¼%. Top Tier—£2,500+ at 3 months notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¾%.

THE £30m UK ZIP MARKET

The teeth are bared

By Nick Garnett

THE ZIP fastener is ubiquitous in modern life. A low technology product used by more than half the population every day as a humble, if necessary, implement, it commands as much fascination as a door handle. Unless the claps breaks, the teeth snag or the zip tears, no one pays it a moment's attention.

Yet this simple device has become a pertinent symbol of the strains and tensions exerted by the Japanese on European manufacturing and the stresses self-imposed by the Japanese on their own production units in their insatiable quest for bigger profits.

Nowhere is this more evident than in the toe-to-toe slugging match between two modern plants battling for the £30m UK zipper market.

In the sterilised atmosphere of Runcorn's industrial estate in Cheshire, YKK, the Japanese giant of the zipper business with 45 per cent of world sales, churns out 2.5m zippers a week for a 55 per cent share of the British market.

From the even more anaesthetised environment of Peterlee New Town, Durham, Optilon, part of the Anglo-German Opti group, the world's number two, has successfully stabilised its market share at about half that of its Japanese competitor following a disastrous slide in the 1970s. But the pressure never eases up.

Built four years ago at a cost of £5m, Optilon's plant demonstrates two things. One is its ability as a European manufacturer to wriggle away from extinction in some of its prime markets and then successfully to defend itself.

The other is that the competition offered by the Japanese through engineering capability and sheer organisational skill at maintaining production momentum is so merciless that the European company has had no time to snatch its breath since its recovery.

Though the first stage of YKK's Runcorn plant was completed nine years before Optilon's the Japanese-owned plant can produce 35 per cent more output with a 25 per cent smaller workforce and generate three times as much profit while paying its manual workers about £40 more per week.

The Opti group, formed in the 1960s as a partnership between the zipper interests of IMI with the lighting fastener and those of the Heilmann family, strong in nylon-coil zippers, never properly structured its management. But business was good. In the UK, for example, the group collared 65 per cent of the market by 1970, the U.S. manufacturer Talon taking 30 per cent.

This cosy carve-up was shattered in 1972 when YKKK Zip Fasteners UK began production. Within four years it had an astonishing 40 per cent of the market. "They had better products and were more efficient. We simply couldn't cope," says Martin Hall, Optilon's chairman. "By 1976 it was crisis time," Paul Wiler, the commercial director recalls. The Opti group's share slumped to 40 per cent and was heading downwards fast. Over the next few years Talon closed its only UK manufacturing site and scores of smaller companies went to the wall.

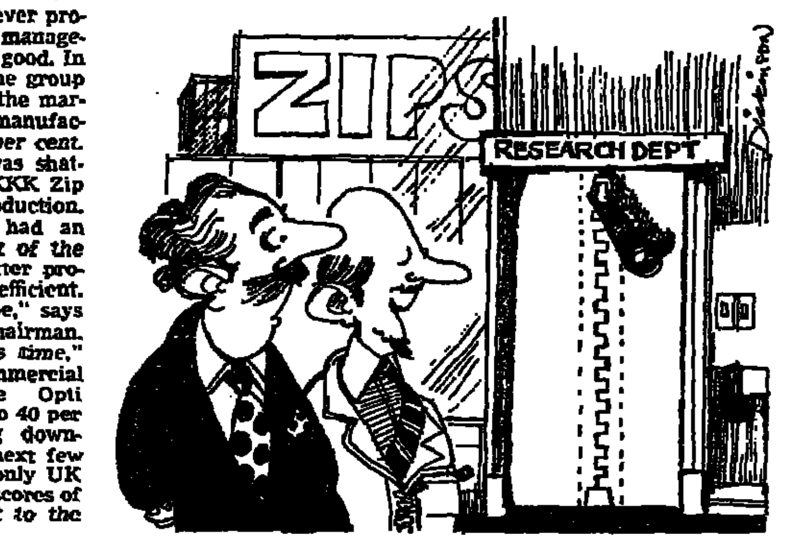
Opti subsequently rationalised in the UK and is being forced to do so in Europe where employment has dropped by more than a half in eight years to 2,300, excluding France, where its operations are being offloaded. The large, archaic manufacturing site in Birmingham, lumbered with inflated overheads and antique equipment was shut at the turn of the decade and the workforce slashed from 1,400 to 340 (275 at Peterlee, 63 at Cleator Moor, Cumbria, which makes zipper chain). The European management structure was completely redesigned.

When the new Peterlee plant came on stream, Optilon's share had slithered futher to 30 per cent but it has stabilised at just below that, an achievement given the headlong slide of the 1970s.

Nigel Berry, YKK's technical manager, thinks Optilon should be able to maintain its market share and concedes that the halt to YKK's growth in the UK has been a shock, particularly as demand in Britain for zippers slumped by 35 per cent in 1979-80 and picked up agin only last year.

As a mark of this abrupt full stop and of YKK's never-ending hunt for profits, Runcorn, along with most other YKK sites in Europe, is now also producing Jean buttons and plastic buckles to keep plant utilisation high. For the Japanese company worldwide, construction activities are now more important than zippers.

Despite Optilon's achievement in arresting decline, Colin Price, its managing director, acknowledges that it cannot manufacture as efficiently as YKK, though matching it on quality and price. The question is why?



"Well, we're always on the look-out to diversify into new products"

YKK has had its headaches in Runcorn. The month-long strike over pay earlier this year came as a rude shock to both its local Japanese and British managers. Racial taunts from the picket line left the "cycle of goodness" company catchphrase of YKK's founder, Tadao Yoshida, looking decidedly hollow.

Now the dust has settled, Eddie Blackwell, Transport and General Workers' Union district officer, believes the undercurrent of discontent expressed by some of the strikers was an aberration and the real issue was simply pay, settled by an 8.5 per cent deal.

The Runcorn plant is back in production, demonstrating its high operating efficiency. It employs 220 in zip chain and seaparte zip making, notching up a £15m turnover, less than 10 per cent of which derives from selling imports. Optilon by contrast, employs 120 more with a turnover £5m less, though some of its Cleator Moor operation feeds other Opti plants. The figures are somewhat distorted because YKK contracts out some of its packaging.

Engineering, size and attitudes encapsulate some of the differences.

● The Opti group claims a major advantage in the upstream chain-making operation in which Cleator Moor uses the company's own patented EC21 system. Normally polyester, cotton or nylon tape is first weaved, then a spiral of teeth is produced separately and in a third stage, the two are sewn together. With EC21, nylon yarn and nylon monofilament are fed in at one end and finished zip chain spews out in one process from the other.

This requires less labour and Optilon says the process is far more advanced than anything YKK possesses. But this advantage is in an already low-manning area. In the downstream business of cutting the zip chain, processing and packaging which is much more labour-intensive, YKK's machines are years ahead of Optilon's.

YKK also has machines which carry out automatic packing though it tends not to use them because they take up too much floor space.

Mr Hall concedes that Opti cannot yet make such advanced machines and could take five years catching up with YKK technology. He is comforted, though, by what he sees as a rapid slowing down in the pace of YKK's technological improvement. "We think YKK is coming to its limits with technology," he says. Mr Berry denies this. Until recently YKK used machines which attached the slider to the open part of the zip, assembled the two sides and then joined them. With new machines now being introduced, finished fasteners virtually come off the line ready-assembled.

The interiors of the two plants certainly look different. Optilon's has a slight air of a modern textile mill with people at work stations. Runcorn looks more functional, closer to a production line in a can-making plant.

● The sheer size of YKK, which manufactures in 40 countries and has over half the U.S. market (Talon has about 25 per cent), and 40 per cent of the European (the same as Opti, with the Finnish Salmi and the Swiss Riri taking much of the rest) gives it a strong edge. In Japan it manufacturers its own yarn and extrudes metal.

Mr Yoshiaki Watanabe, chairman and managing director of YKK in Britain, claims this integration does not automatically deliver cost benefits to its plants abroad because they are encouraged to buy locally. It does allow YKK to shoulder a large research programme, however. A couple of hundred people are employed in research and development at Toyama, Japan, though some of this activity is geared to the company's construction business.

It also provides a substantial base to power YKK's investment programme, even though each plant is responsible for generating its own profits which stay within the host country. It has recently expanded in Portugal and Denmark and has announced a major investment at Macon, Georgia. Back at Runcorn, £1m is being invested in new production machinery for the moulded zip.

● The impact of attitude differences is hard to assess. YKK has a single canteen used by the manual workforce, managers and technical staff, seven of whom are Japanese. Its supervision structure is also non-traditional. With a chief plant operator, chief technician and technical assistant manager, senior staff have dual supervisory and technical responsibilities. "All supervisors are technically competent, responsible for machine performance and produce quality," says Mr Berry.

A more time-honoured atmosphere appears to pervade Optilon, with at least some hangovers from Birmingham. The canteen has a section for white collar staff and managers have waitress service behind a screen. "The workforce is different up here," says one manager. "If we ate with them they would just think we are spying."

Aid to Africa

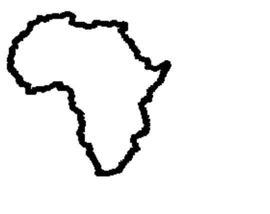
The urgent need for a co-operative effort

By Timothy Raison

BY NOW, most people realise that as a response to the terrible famine in Africa emergency relief is essential, but that it will not solve the problem. We still need to work flat out to deal with short-term needs—in particular, to translate the substantial pledges into actual food on the ground. But we also need to get to grips with the underlying long-term crisis.

Twenty years ago India faced similar massive problems, yet today India's agriculture is transformed and has become the springboard for sustained economic development.

Reforms have been undertaken, or are underway, in several African countries, with startling results. Malawi,



Zimbabwe and Ghana are heading this year for greater grain harvests. Zambia has turned its back on the policy of "King Copper" and is making a determined effort to put its agriculture right. Kenya and Tanzania are looking at marketing reforms, and Tanzania has now raised produce prices considerably.

Outside agents like Britain can reinforce this new mood by providing the country and its farmers with the means to operate effectively and by searching out new answers to the problems posed by more intensive cultivation of fixed land resources.

Under our general "sector" aid, we supply much that the commercial farmer wants in spares for agricultural machinery or fertilisers.

Also needed are programmes of research and development into food crops which demand less water than traditional varieties.

National research has gone sadly downhill in many African countries, and it has also all too often broken the vital link with the extension services — which themselves are often in disarray for want of finance and motivation. There is no point in producing water-efficient crops if the farmer cannot be guided as to when to plant them so that they survive or how to protect them from his goats.

Then there is management and development of human resources. Africa is now threatened by the huge relative cost of spreading general education and has been unable so far to turn it to good economic effect. The thirst for modernisation, and the desperate desire to secure a regular paid job—any job — for their children, drive parents to make great personal sacrifices. But the truth is that only a very small minority of pupils will eventually be required, or be able, to staff the modern section of the economy, including public service.

We in Britain have recently come to feel that we should concentrate our educational aid — particularly the teachers, training scholarships and equipment we provide—on key institutions which will have a critical impact on the quality of the system. Traditionally, around half of our expert manpower in Africa has gone to education, and has been deployed most often in the secondary schools. Now we are concentrating more on the teacher training colleges and the technical and higher education institutions.

Looking more widely at management, there is a special need to help with creating an efficient and well-structured public service.

Dependence on foreign British experts has fallen dramatically over the last 15 years. In 1972 we were supporting over 7,500; today, only 1,650. As management strains and weaknesses have become apparent, we are now trying to intensify the impact of those expatriates who are still needed. The accent has more and more to be on building up local training institutions, where many people can be reached and where the work takes place in the conditions of the country.

The efficiency of industry, and especially parastatal enterprise, is also an area needing significant change. Our chief direct assistance is in trying to improve infrastructure — road maintenance, for instance, and the operation of railways and ports. But British aid is also paying indirectly for many recurrent items — replacement machinery for example — for which the countries concerned cannot afford to allot their own foreign exchange.

The last, but most important, item on the agenda is the revision of public spending and investment plans. Here, above all, is the realm where all donor agencies and nations need to pull together, so as to strengthen the country's own attempts to impose a consistent discipline on its public activities. This co-ordination makes

demands on both sides. donors may have to abandon or postpone commitments to new investments of commercial or political importance. They may have to substitute fast spending, flexible aid for the glossy new factory. They may have to help with local or recurrent costs, contrary to their usual policies. They may have to make new aid pledges.

But the African country concerned must also often put cherished projects and non-developmental expenditure on one side. It must pass up the opportunity of playing one source off against another. It must listen to arguments about the need to allow for operational as well as wage spending in the recurrent budget. It must discuss openly alternative policy options which it might often much rather keep to itself.

This process is difficult; but it is vital for all concerned to see it as a co-operative effort and not as a necessary but unpleasant wrangle. We can make real headway: indeed we must.

The author is Minister for Overseas Development.

Letters to the Editor

Job-keeping bodies

From Lord Kaldor

Sir,—Samuel Brittan's article on wages councils (May 13) reminded me of a lecture by the late Professor R. H. Tawney (one of the shrewdest social observers of his generation) on the effect of the introduction of wages councils for fixing minimum wages in the East End clothing trade in 1910. Prior to this, the industry contained a number of resasonably efficient firms which suffered from the intrusion of a large number of parasitical firms who were highly inefficient but could nevertheless compete with the old-established firms by making use of sweated labour — immigrants from Russia who were paid absurdly low wages. The introduction of minimum wages forced these parasitical firms out of business, which in turn enabled the efficient firms to expand, and increase the total output on account of a reduction in average and marginal costs and in prices. Hence minimum wages had highly beneficial effects on industrial efficiency without adverse effects on employment, since they also led to a large increase in production and sales at lower prices.

This happened before World War I. The figures quoted by Mr Brittan refer to 1950-81 — a period that was many years after the introduction of minimum wages and which is not out of line with the decline in employment in the textile and clothing industries in general after World War II. The latter declined from 1.5m to just over 600,000 — a reduction of 59 per cent as against the 51 per cent reduction quoted by Mr Brittan from the employment market research unit report for the same period.

The policy advocated by Mr Brittan amounts to the advocacy of lower productivity as a remedy for unemployment. He ignores that the free exploitation of labour is equivalent to a subsidy to inefficient employers whose presence narrows the market for the efficient firms.

(Professor) Nicholas Kaldor.
King's College, Cambridge.

Poor pay problem

From Mr M. Kuczynski

Sir,—Certainly it is difficult to argue that, all other things being equal, lower pay for particular occupations will actually destroy jobs there. But this does not mean that, while lower pay takes care of jobs, the redistributive tax system can take care of poverty (Samuel Brittan, May 13). Lower pay promotes employment in lower productivity occupations, which would not otherwise survive in the face of competition—in particular from imports.

Unfortunately, expansion of competitive low-productivity activities does not bring a commensurate expansion in the tax base (for reasons which Ricardo neatly encapsulated in his "a tax on wages is a tax on profits" of 160 years ago), and so the possibilities of redistribution through the tax system are blocked—a problem well-known in poor countries.

M. G. Kuczynski,
Pembroke College, Cambridge.

Women at work

From C. Tongue, MEP

Sir,—Samuel Brittan's diatribe (May 13) on the abolition of wage councils is yet another example of a self-opinionated male reducing issues of women's employment to the social scrap heap.

The whole article is an insult to British women who, Mr Brittan obviously needs reminding, have the same right to work under British and EEC law as do men.

Huge numbers of women are already marginalised in having to take low paid jobs and certainly do not want to be further degraded by having their wages topped up by social security. They want and have a right to a decent living wage and equal pay for work of equal value.

Carole Tongue.
84, Endsleigh Gardens,
Ilford, Essex.

People's pensions matter

From Messrs M. Field and S. Lyon

Sir,—We were members of the inquiry into provision for retirement set up by the Secretary of State for Social Services in November 1983. The inquiry was advisory in nature; it completed its work at the beginning of this year but was not required to prepare a report.

In advance of the publication of the Government's paper on the outcome of all the social security reviews we feel inhibited from commenting on its possible contents. We would, however, like to congratulate Michael Prowse on his objective analysis (May 2) of the future of the state earnings-related pension scheme (Serps). As he demonstrates, the issues involved are complex and cannot be defined solely in terms of state versus private provision. Evidence submitted to the inquiry made this abundantly clear.

Marshall Field,
Stewart Lyon.
c/o 35, Woodhall Drive, SE21.

Worst of all situations

From Mr J. Harsant

Sir,—The state earnings related pension scheme has introduced a complexity into pensions beyond all reasonable expectation, a complexity which has undoubtedly been acting to the disadvantages of those in contracted-out schemes. It was therefore with some relief that I learnt of the intention to terminate this scheme.

To learn now (May 9) that the earnings related pension scheme is to be phased out slowly seems to introduce the worst of all possible situations and will result in chaos for many years to come. I deplore this decision, which I feel can only be ill for all those involved.

John D. Harsant.
Harsant Steward,
Chichester House,
Chichester Street,
Chester.

Houses to let

From Mr M. Taylor

Sir,—Mr B. Crofton, of the GLC Housing Department (May 8), in his reply to Dr Graham Hallet, states that the shortage of housing to rent is less due to rent control than the economics of housing supply. To understand the economics of housing supply it is necessary to distinguish between two types of economic variable—a stock and a flow.

The reason we have rent controls while the suppliers of nearly all other products and services can charge what the market will bear is because housing to rent is largely supplied from a stock. Thus the state can prevent landlords from cutting off the supply by giving tenants and their surviving dependents security of tenure. If it tried to fix the price of products which flow from a production line at substantially below cost, suppliers would simply stop production and the product would become unobtainable except on the black market.

Thus, while existing tenancies have continued while declining steadily in numbers as tenants have died, the flow on to the market of new tenancies at controlled rents has stopped altogether. The existence of alternative long-term investments for landlords' capital is a red herring. Alternative investments existed prior to 1916. There were also plenty of houses to let at rents people could afford. This is not the case today.

Michael Taylor.
10, Green Walk, Hampton,
Middlesex.

The Bosporus bridge

From Mr D. Dixon

Sir,—When tenders were opened for the first Bosporus Bridge it was revealed that Cleveland Bridge and its German partner had quoted 6.8 per cent below the Japanese. What was not revealed was that the quotation had 27 qualifying clauses largely relating to the capital requirements of the contractor. It took five months of hard negotiation to clinch the contract. At this stage IHI of Japan approached Cleveland to see if there were any crumbs of work to be thrown to them.

This time Cleveland and its partners are 18 per cent above the Japanese who moreover have arranged through their Italian partner a long-term $30m credit from SACE. Cleveland is now approaching the Japanese for crumbs from their table.

How things change! It remains essential however to quote, or at least to appear to quote, the lowest price in the first instance.

I should know; I negotiated the contract and was managing director of Cleveland throughout the successful construction of the first one.

D. C. C. Dixon.
The Manor,
Carthorpe,
Bedale, Yorks

A name for all reasons

From Mr J. Davison

Sir,—The forthcoming privatisation programme—gas, water, buses and airlines—can be expected to give birth to a plethora of new regulatory bodies, preferably with catchy or memorable names.

May I set the ball rolling with the suggestion of OGRE (Office of Gas Regulation and Economics) for the body which will oversee the activities of British Gas.

J. Davison

FINANCIAL TIMES

Wednesday May 15 1985

Rupert Cornwell in Bonn on the continuing battle over President Reagan's visit

German opposition denies anti-U.S. bias

ANXIOUS TO permit no blemish on their sweeping election victory in North Rhine-Westphalia on Sunday, West Germany's opposition Social Democrats (SPD) yesterday angrily rejected renewed charges from the ruling centre-right coalition that their party had now swung on to a sharply anti-American tack.

In the 48 hours since the vote in the country's most industrialised and populous state, the SPD's alleged hostility to Washington has now emerged as the most emotive and sensitive domestic political issue.

Any doubt on this score was banished by the way the issue dominated what was supposed to be a routine four-hour parliamentary debate in which Chancellor Helmut Kohl reported on the recent Bonn economic summit and the state visit by President Ronald Reagan.

The Chancellor's claim that the visit had been an historic confirmation of German-American friendship was heatedly rejected by Herr Hans-Jochen Vogel. The SPD parliamentary leader maintained that the controversy surrounding the U.S. President's journeys to the Bitburg military cemetery and Bergen-Belsen concentration camp had done "more harm that good" to West German standing in the world, and to its relations with the U.S.

Herr Vogel and Herr Willy Brandt, the Social Democrat chairman, again rounded on the Chancellor for his remark on Sunday evening – which provoked a furious row with Herr Brandt – that the SPD was now in the grip of "primitive anti-Americanism."

Describing the charge as "shameful and contemptible," Herr Vogel insisted that the SPD was as aware as anyone of what Germany owed the U.S. "We are friends and allies of the American people – but not vassals of the present administration," he remarked, in pointed reference to the frequent accusations of submissiveness towards Washington on Herr Kohl's part.

Contributing to the SPD's rancour is resentment over the refusal of Mr Reagan to see Herr Brandt – as precedent and protocol would normally dictate – during his six days in West Germany earlier this month.

But the eagerness with which the Christian Democrats have seized the anti-American issue is proof of how they regard it as a vote-winner, which might offset their disastrous showing in North Rhine-Westphalia where economic themes dominated the campaign. The SPD, for its part, is well aware of its potential vulnerability on the score.

The debate is now largely overshadowing continuing deliberations on possible direct German involvement in research on the U.S. space-based Strategic Defence Initiative (SDI), an issue over which the two main parties here are also at odds.

Herr Kohl yesterday repeated that Bonn believes that a go-ahead by the U.S. is fully justified. But West Germany would only make up its mind when it was convinced that full co-operation was on offer, leading to a genuine "two way street" of benefits across the Atlantic.

Bonn's options were examined at a high level meeting between ministries and companies that could be involved with SDI last Monday. Afterwards Herr Wolfgang Schäuble, Minister of State at the Chancellery, stressed that the point had not been reached yet where decisions "can and have to be made."

A team of West German experts will travel to Washington to examine the SDI more closely. In the meantime Bonn is consulting its European allies. But Herr Schäuble warned that the U.S. might simply go over the heads of government and approach companies directly.

U.S. moves to dispel SDI fears, Page 4; Editorial comment, Page 20

Aran wins Petrolex with last minute bid

By Dominic Lawson in London

ARAN ENERGY, an Irish oil and gas exploration group, has snatched control of Petrolex, a UK oil company, with a £15.8m ($20m) bid only hours before the closing date of an agreed £13.8m takeover of Petrolex by Britain's fast-growing Saxon Oil.

Last month Saxon had emerged as a white knight to save Petrolex from a hotly contested £11.8m bid from Clyde Petroleum. Clyde had itself narrowly failed in a bid for Saxon two years ago.

Aran began its attempt to buy control of Petrolex late last week, but admitted yesterday that its own advisers felt the venture had little chance of success.

But after lobbying Petrolex's institutional shareholders, Aran had by midnight on Monday received irrevocable undertakings to accept the offer from holders of 51.7 per cent of the equity. The crucial stake was the 6.4 per cent held by Ozoco, a Houston based oil company.

Mr Michel Whelan, Aran's managing director, said yesterday: "We went for a last round shut-out, so the City could not start the Dutch auction it likes so much."

However, Mr Michel Unsworth, oil analyst at brokers Scott Goff Layton said: "People are astounded at the high price Aran has paid. Petrolex shareholders can't believe their luck."

Mr John Heaney, Saxon's chief executive, said yesterday that he was extremely disappointed. "We are going to make a stink at the Takeover Panel. Queensbury rules have not been observed in the past few days."

Mr John Lee of the Takeover Panel said last night that the deal contravened none of its rules. But he conceded "This is most unusual. We cannot think of another occasion when an agreed bid was shut out on the final day."

The swoop has also caused a sensation in Ireland. Mr Whelan said yesterday that it was the first time an Irish company had taken over a foreign quoted company since exhange controls were imposed in 1978. This prevented Irish investors from buying non-Irish equity, and Mr Whelan said that he needed "special permission from the Irish central bank" before the manoeuvre could be attempted.

Aran has interests in 60 per cent of all Irish oil and gas licences, but until now has had a stake in only one North Sea block. Petrolex's main attraction is its stake in RP's Forties field.

To finance the share and cash offer of five Aran shares and £5.60 cash for every eight Petrolex shares, Aran has had to prepare a two for five rights issue to raise £11.2m.

If Aran's shares were to fall from last night's close of 37p (down 6p) to 16p, Saxon's bid would become more attractive. Saxon is likely to re-open its offer, despite the "irrevocable" undertakings received by Aran.

See Lex

Kohl calls on Commission to revise farm price proposals

BY IVO DAWNAY IN BRUSSELS

CHANCELLOR Helmut Kohl of West Germany yesterday pressed the European Commission to bend its farm price proposals towards meeting Bonn's demands, in a highly unusual intervention by an EEC head of government.

As the Community's farm ministers' sixth negotiating session was again running into deadlock, Chancellor Kohl sent a telex to M Jacques Delors, the European Commission President, calling on the Commission to accommodate Bonn's dogged refusal to accept any cut in the price of cereals.

"The question of price reductions for the German Government is a matter of principle, and very important interests for our agriculture and our economy are at stake," he said.

Herr Kohl went on to appeal to M Delors to do "everything possible" to help West Germany over the cereals prices question. It was noted, however, that his message fell short of giving a clear threat to veto cuts in grain prices.

Meanwhile, in Brussels Herr Ignaz Kiechle, the Bonn Farm Minister, was fighting a rearguard battle to dissuade Sig Filippo Pandolfi, the Farm Council's Italian president, from bringing the issue to a vote.

Such a move would present West Germany with a clear choice of wielding the veto by citing that "vital national interests" are at stake or face being outvoted by a qualified majority. Council officials told journalists early yesterday that Herr Kiechle has already clearly warned Sig Pandolfi in bilateral talks that he will use the veto if the issue is brought to a vote.

But reports that the German minister was angry at this revelation, together with Herr Kohl's careful avoidance of a veto threat, has led to speculation that Bonn might ultimately allow itself to be overruled.

Bonn is already suffering intense criticism, both at home and abroad for its contradictory stand on the veto. Yesterday, Herr Rudi Arndt, chairman of the European Parliament's socialist group, described the Government's position as "scandalous."

He said: "The Federal Government has always condemned the veto and called it anti-community. With the behaviour of Herr Kiechle, who even stresses the Chancellor's support, the development of the Community towards European union is torpedoed."

The farm ministers spent most of yesterday in bilateral talks in preparation for what was expected to be another all-night session, but the indications suggested that the German appeals had fallen on deaf ears.

Mr Frans Andriessen, the Farm Commissioner, returned to the meeting yesterday with a firm declaration that he did not accept that his plan for a 3.6 per cent cut in grain prices conflicted with Bonn's vital interests.

EEC coal subsidies dispute, Page 3

Getty sales 'to raise $2.5bn' for Texaco

By William Hall in New York

TEXACO, the U.S. oil company, will have raised $2.5bn from the sale of Getty Oil assets when it completes the planned sale of another $300m – $400m of assets that it acquired following its $10.1bn purchase of Getty last year.

Mr John McKinley, Texaco's chairman, told shareholders at yesterday's annual meeting in Atlanta that the price of the Getty assets sold so far was about $900m over their book value. Mr McKinley said that when the $2.5bn is deducted from the Getty purchase price it is "apparent that Texaco has acquired an enormous amount of proven reserves around the world at a very attractive price."

Mr McKinley used yesterday's annual meeting to defend Texaco's recent poor performance relative to other U.S. oil majors. Its return on equity has dropped from 19.7 per cent in 1980 to 7.3 per cent last year.

He noted that Texaco has closed or disposed of 12 of its 29 refineries around the world, concentrated on oil and gas exploration and avoided massive investments in minerals, shale oil and coal liquefaction.

The group's market share of the important gasoline market has been strengthened. Texaco says that it now has a 10.8 per cent share of the European market, 12 per cent of the Canadian market and 14 per cent of the Latin American market. In the U.S. it has 13 per cent share of its preferred markets and an overall 7.5 per cent share.

Texaco shareholders have seen their shares fall from a high of $54.40 in 1980 to around $37 currently, but Mr McKinley emphasised that each share is backed by 22 barrels of oil equivalent – "one of the highest figures in the industry."

Hopes linger on for meeting on Gatt date

BY WILLIAM DULLFORCE IN GENEVA

SENIOR GOVERNMENT officials failed to reach agreement yesterday on an early prepatory meeting for a new round of multilateral trade negotiations, but kept alive hopes that such a meeting could be convened before the end of the summer.

Representatives of the developing countries, which have been opposing a new round of talks, agreed at the end of a two-day session at the headquarters of the General Agreement on Tariffs and Trade (Gatt) to seek new instructions from their governments. They heard detailed explanations from the U.S. and the European Community of their plans for the global negotiations.

A significant factor in persuading the developing countries, in particular India and Brazil, not to veto new trade talks was an assurance from Mr Leslie Fielding, director general for external affairs in the EEC Commission, that the EEC would not oppose the inclusion of farm products as a subject for negotiation.

After President François Mitterrand's resistance to American pressure at the Bonn economic summit for an early decision on the trade talks, it had been assumed that France was trying to keep the EEC's Common Agricultural Policy off the negotiating table.

It is understood that the developing countries were also given assurances of unilateral action by the industrialised nations to remove some trade barriers to developing country imports before a new round of negotiations. The most likely field for such action would be in textiles and clothing.

The Americans had been pressing hard for a meeting of senior officials in July to prepare for the trade negotiations. After the meeting of the Gatt consultative group of 18 countries yesterday the earliest possible date for such a preparatory exercise would seem to be September.

Among the 18, who represent a cross-section of Gatt's 91 members, all the developed countries supported the idea of a new round. Poland, speaking on behalf of Gatt's four East European members, also came out in favour.

Finsider aid approved

BY PAUL CHEESERIGHT IN BRUSSELS

THE European Commission has given the Italian Government authorisation to pay Finsider, the state steel producer, L4bn ($2m) in subsidies.

An announcement yesterday noted that conditional permission had been given for the subsidies in June 1983. But it has only been recently that the Commission has accepted that the subsidies were justified by the progress of restructuring at Finsider.

Although L4bn has been unblocked, the Commission is withholding authorisation for about another L1bn until it is convinced of Finsider's future viability

The Italian Government has been criticised in the past by other EEC governments, notably that of West Germany, for what was seen as a laggardly approach to restructuring within the common policy of ridding the EEC steel industry of subsidies by the end of this year.

Australia faces cuts in spending

By Michael Thompson-Noel in Sydney

AUSTRALIA'S Labor Party Government yesterday announced spending cuts totalling A$ 1.3bn ($909m) in the coming financial year – signalling its determination to rebuff opposition charges that it was addicted to high spending and high taxes.

At the same time Mr Paul Keating the Treasurer (Finance Minister), told parliament that the recent sharp devaluation of the Australian dollar meant that exports were expected to grow faster than imports in 1985-86. His measures were seen as an important boost for business, and Australian share markets reached record levels yesterday.

"Rather than subtracting from economic growth as it has this financial year, the external sector could add a percentage point or more to GDP in 1985-86," he said.

Mr Keating told MPs that Australia's non-farm economy grew by 5.1 per cent last year, against 2.6 per cent in 1983, adding that growth during the first two years of Mr Bob Hawke's Labor Government "will match that achieved during the entire seven years of the Fraser Administration."

The cuts announced yesterday affect forward spending estimates for 1985-86, and will secure savings over the full financial year starting July 1. Mr Keating said that with the aim of seeking further savings, the Government would continue to review all spending plans until the full budget was settled in August.

Programmes affected will include industry assistance and development (A$204.1m), transport and communication (A$180.6m), social security and welfare (A$127.2m), and housing (A$112.7m).

Real growth in defence spending will be cut from 4.5 per cent to 3.1 per cent, saving A$84m. There will be an increase in health prescription charges, and reduced assistance for first time home buyers. Mr Keating also announced a review of funding of national broadcasting.

The Treasurer repeated the Government's main policy commitments – that in 1985-86 and over its three-year term, tax revenue and government spending would not rise as a share of GDP, and that the federal budget deficit would be reduced in money terms in 1985-86 and as a share of GDP over the three-year term.

Stock market reaction, Section III

BASF in deal with United Technologies

Continued from Page 1

The U.S.'s seventh largest manufacturing group, largely assembled by Mr Gray in an aggressive series of takeovers in the 1970s, UT's activities include Pratt & Whitney Engines, Sikorsky helicopters, Carrier air conditioners and Otis elevators.

It earned $645m in 1984 on sales of $16.3bn, and in the first quarter of this year had net income of $137.6m and sales $3.92bn. The sale of Inmont will leave it with about $3bn in cash and short-term assets.

Jonathan Carr in Frankfurt writes: BASF said the purchase of the Inmont group meant an important extension of its activities in a key region, as well as a major strengthening of its position in the coatings and dies sector.

It noted that through the deal it was firmly establishing itself in the world's biggest market for coatings and printing ink – that of the U.S. Moreover, internationally Inmont was the major supplier of printing ink in turnover terms.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	S	25	77	Malaga	F	20	68	Salzburg	S	25	77
Akrotiri	S	24	75	Faro	C	16	61	Malta	S	25	77	Seoul	S	25	77
Algiers	C	19	66	Florence	F	21	70	Manila	S	34	93	Singapore	F	31	88
Amsterdam	C	16	61	Frankfurt	F	18	64	Miami	S	31	88	Stockholm	S	19	66
Athens	S	23	73	Funchal	C	17	63	Milan	S	19	66	Strasbourg	F	19	66
Bahrain	S	31	88	Geneva	F	17	63	Moscow	S	23	73	Sydney	F	18	64
Bangkok	C	33	91	Gibraltar	F	18	64	Munich	S	20	68	Taipei	C	32	90
Barcelona	S	18	64	Guernsey	F	11	52	Nairobi	—	—	—	Tangier	F	17	63
Beirut	C	23	73	Helsinki	S	19	66	Naples	S	22	72	Tehran	—	—	—
Belgrade	S	29	84	H. Kong	F	31	88	New Delhi	S	36	97	Tel Aviv	C	22	72
Berlin	S	28	82	Innsbruck	F	23	73	New York	S	29	84	Tenerife	D	18	64
Biarritz	S	14	57	Inverness	F	9	48	Nice	F	17	63	Tokyo	R	18	64
Blackpool	C	13	55	Istanbul	S	21	70	Oporto	S	15	59	Toronto	—	—	—
Bordeaux	C	13	55	Jersey	F	11	52	Oslo	S	21	70	Tunis	S	20	68
Brussels	C	11	52	Jo'burg	R	17	63	Paris	C	12	54	Valencia	F	19	66
Budapest	F	26	79	Las Palmas	F	21	70	Prague	F	28	82	Venice	S	22	72
B. Aires	F	21	70	Lima	—	—	—	Reykjavik	S	12	54	Vienna	F	26	79
Cairo	C	31	88	Lisbon	F	16	61	Rio de J'o	C	27	81	Warsaw	S	28	82
Cape Town	S	23	73	Locarno	F	19	66	Rome	S	20	68	Zurich	S	18	64
Caracas	R	26	79	London	R	10	50								
Casablanca	F	19	66	Los Angeles	S	27	81								
Copenhagen	S	21	70	Luxembourg	C	12	54								
Corfu	S	25	77	Madrid	C	16	61								
Dublin	C	11	52	Majorca	F	20	68								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Egypt hope for progress

Continued from Page 1

Since Mr Peres took over as Prime Minister last September there has been a marked improvement in Egyptian-Israeli relations. The visit to Cairo last month of Mr Ezer Weizman, the special ministerial envoy, assisted the process, and he predicted then that there would be a summit meeting soon between Mr Mubarak and Mr Peres.

Dr Meguid also saw positive developments in the peace process.

Egypt's Foreign Minister revealed that King Hussein of Jordan would visit Cairo on Monday for talks with President Mubarak before going to the U.S. for a meeting with President Ronald Reagan.

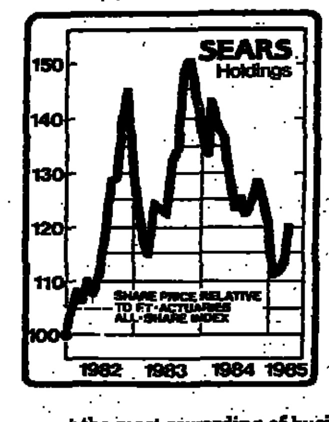
David Lennon in Tel Aviv writes: If the Cairo talks are successful, Israel is also confident that they will be followed by a summit meeting between Mr Peres and President Mubarak. The Israelis will agree to arbitration to resolve the Taba dispute if attempts at negotiation or conciliation fail.

Israel's agreement to arbitration will be conditional on Egypt agreeing to the return of the Egyptian ambassador to Tel Aviv; improved trade relations; permitting a search for the bodies of Israeli soldiers lost in action; and resolving a dispute concerning Palestinian refugees in the divided town of Rafah

THE LEX COLUMN

Heavy going for Sears

As if the first-day premium on British Aerospace were not enough, at 44p, the City of London's lust for privatisation stocks spread – rather fancifully – to the gilt-edged market. Thoughts of an early redemption to pave the way for British Gas served to warm up the price of Gas 3 per cents, which made an improbable appearance as speculative glamour stock of the day.



Sears Holdings

Unlike Debenhams, which somehow retains the allure of a bid stock even after yesterday's disavowal from Burton, Sears has found it hard to do much in recent months that can actually lift the valuation of its shares. Too big to buy, or to transform at one go by any but the most extravagant of deals, Sears is evidently fated to climb the rating ladder only by slow degrees. A prospective multiple of 10 shows how steep it is finding the climb. At least Sears' figures for the year to January – showing profits before tax up 10 per cent to £175.2m – did nothing yesterday to set the shares back: they fell 1p to 93p.

The only disappointment in these figures was a continued poor performance from Butler Shoe in the U.S., which has shared in the recent troubles of American retailing – overstocking, markdowns and tumbling margins. Yet this should be outweighed by the success of Selfridges, the expansion of the Olympus sports chain, and by the signs of renewed vigour in British Shoe, which has got over its problems with cheap plastic footwear, and is setting about the task of sharpening and separating the marketing identities of its many chains: badge engineering is on its way out of the UK shoe industry.

All in all, the thing which could get Sears the most stock market mileage is the re-focusing of its own image, through such things as putting the group name on its charge card and over the door in new multi-store developments. If Sears can at length suggest that it is less of a conglomerate, more of a retailer – dropping the "Holdings" tag on the way – there should eventually be something to show for it in the share price.

General Accident

Distressing bulletins from the U.S. have been such a feature of the composite insurers' quarterlies that the City has had little time for local difficulties. But if Royal last week showed that the U.K. motor account was not the most rewarding of businesses, General Accident yesterday hammered the point home with a £8m deterioration in its first-quarter motor result – a full three times the increase in its U.S. underwriting loss.

What is happening on the U.K.'s roads is not at all clear; but whether it is more driving or worse driving, or merely protected no-claims chickens coming home to roost, the dramatic increase in claims frequency since last mid-summer shows no signs of abating. Unlike Royal, General Accident did well to hold back losses in the rest of the U.K. business. Yet this will scarcely affect relative views of the two companies when all the recovery action is in the U.S.

Here, Royal is favoured because of its proportionately higher exposure to commercial lines, where rates are hardening nicely. General Accident remains overexposed to personal business, and particularly the weakening personal auto account. Despite tempting U.S. agents with trips to Perth – or perhaps because of that – this business continues to be written.

The City has written off 1985 as a year of transition for the composite insurers and it makes little difference whether General Accident's first-quarter £18m loss turns into a £30m or a £50m profit for the year. Even after a £9m retained loss, and with dollar assets shrinking on translation into sterling, General Accident could still show some capital appreciation for the quarter.

Aran/Petrolex

Perhaps the oddest thing about the Petrolex saga is not that it ended in an episode of midnight gazumping and the replacement of one agreed bid by another, but that the fate of such a small North Sea company could employ so many of the City's most expensive advisers for so long. Shareholders in Petrolex have, in any event, got more for their investment than seemed likely when Clyde started the auction. But investors in Aran, the successful bidder, may end up wondering why they have paid so much; after the dust has settled there is going to be a lot of Aran paper floating around, and it may be no easy thing to keep the share price looking respectable.

Aran's justification for the deal is its wish to explore in the North Sea, which would become tax-efficient given the Forties production it is getting through Petrolex. This optimistically assumes that Aran and Petrolex both get something worthwhile out of the Ninth Round, and that its cash flow will meanwhile be sufficient to make best use of the Petrolex tax shelter in exploration. If things do not work out to the letter, there is a risk that Aran will be seen to have paid too much for production that it cannot use, and it may then be little consolation to have cut such a dash in putting together the financing package.

Land Securities

Land Securities' 1984-85 results showed clearly yesterday how much more important it is for a property company to be growing its assets fast than to be showing lots of earnings. Pre-tax profits, up 14 per cent at £95.6m, were some £2m or £3m above expectations, but the net asset value per share of only 401p knocked 14p off the shares, which closed at 297p.

The market was puzzled by the revaluation surplus growing by only 4.6 per cent compared with 8.6 per cent the previous year, when demand was supposed to have been weaker. No explanation is forthcoming – one can only speculate that Land's less desirable properties, perhaps in Victoria, have been valued on a higher yield basis. The valuers may also have been reluctant to allow for a much firmer market when they assessed the properies at the end of March; which means that the evidence of the last couple of months would probably push the asset value up by another few pence.

Meanwhile, the end-of-year balance sheet shows gearing at only just over 10 per cent. While this must at least rule out rights issue, shareholders may fairly complain about the company's conservatism. Perhaps when rates have fallen a little, Land will launch a zero-coupon – an instrument that seems tailor-made for a property developer.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

SECTION II – COMPANIES & CAPITAL MARKETS
FINANCIAL TIMES
Wednesday May 15 1985

Montedison cuts loss and sales rise 14%

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, Italy's leading chemicals, health care and energy company, achieved a sharp reduction in consolidated group losses, to *L83bn ($42.5m) for 1984. This compares* with a 1983 loss of L322bn and a record 1982 deficit of L859bn.

The company said it expects to make a new profit for the whole of 1985. *Sales in the first quarter of* this year were up by 14 per cent.

The L83bn loss, struck after deducting L88bn of profit attributable to minority interests from a L5bn net income level, represents a significant improvement in the fortunes of the Milan-based industrial giant. Sales last year totalled L12,382bn, up 18.2 per cent on 1983.

Montedison also yesterday announced a plan to increase share capital for the first time since 1981. Shareholders will be asked to approve a L113bn rights issue, which *will increase group share capital to* L1,110bn. The last time Montedison made a rights issue, for L640bn, the group was in the throes of a financial crisis and the issue flopped and had to be taken up by bank underwriters.

The planned new total share capital of L1,110bn compares with *Montedison total group indebted*ness of L4,344bn at last December 31. This debt level was up from L4,111bn at the end of 1983, but Dr Lino Cardarelli, group finance di*rector, pointed out that debt servic*ing costs last year of L729bn represented 5.9 per cent of total revenues, against a proportion of 6.7 per cent in 1983.

Dr Cardarelli said Montedison last year restructured part of its debt, shifting from short-term to medium-term and from fixed to floating rate debt. At year-end 24.8 *per cent of total debt was short*-term, down from 37 per cent in 1983. Of total debt L748bn represented bond issues and the rest bank loans; roughly a quarter of to*tal debt was in currencies other* than the lira, much of this trade finance.

At the operating level, Montedison's 1984 profit was L1,304bn, which was a 52.9 per cent increase year-on-year. The group said all companies were in profit except for Farmaplant, the fertiliser business, which made a *L25bn loss*. Amortisations of L539bn were subtracted from the operating group profit. Cash flow last year rose by L221bn to L677bn.

A geographical breakdown of Montedison turnover shows that Italy accounted for 63 per cent of sales. Other countries in Western Europe 17 per cent, North America 5 per cent, *Eastern Europe 4 per* cent and overseas areas 11 per cent. In the industrial products area, exports accounted for 44 per cent of total revenues.

*Dr Cardarelli said the group's op*erating profit includes income from the Himont polypropylene joint venture with Hercules of the U.S.

The group also announced plans *to go ahead with a L100bn issue of* fixed-interest convertible bonds. Of this issue, Goldman Sachs is to make a private Euromarket placement of L30bn.

French deal for Norsk Hydro

BY PAUL BETTS IN PARIS

NORSK Hydro, the diversified Norwegian energy group, is to take control of *Cofaz-Sopag*, France's second largest fertiliser company.

The deal is a significant new step in the Norwegian group's efforts to establish a presence in the fertiliser business. It also reflects the determination of Total, which holds 54.9 per cent of Cofaz-Sopag, to concentrate on upstream oil and gas activities.

Cofaz, with sales of FFr 4bn ($427m) last year, is 34 per cent *held by the Paribas banking group*, and 11.1 per cent by the Rhône-Poulenc chemicals concern.

Both Total and Paribas have agreed to sell their stakes in Cofaz to the Norwegian group. Rhône-Poulenc is still considering its position.

The transaction still requires the approval of the boards of the respective French groups as well as of the French Government. It would represent an interesting disinvestment by the French state sector to a foreign group – Total is 35 per cent held by the French Government and both Paribas and Rhône-Poulenc are state owned.

Norsk-Hydro is also understood *to be seeking to take over the ferti*liser operations of Veba, the West German oil group.

Total's decision to sell its majority stake in Cofaz to Norsk Hydro is the first major move taken by the French oil group's new chairman, *M Francois Xavier Ortoli, who re*cently outlined his broad strategy. This will essentially consist of recentring Total on traditional oil and gas activities, increasing exploration and production *expenditure* and making a big effort in the U.S.

Total this week reported higher earnings of FFr 1.7bn for 1984.

Cofaz, which lost FFr 340m in 1983 and FFr 155m last year and is *hoping to break even this year, was* originally linked with Total as part of the Socialist Government's complex restructuring of the French chemicals industry.

Consortium launches rival bid for Conrail

By Terry Dodsworth in New York

A CONSORTIUM *of 24 U.S. compa*nies yesterday unveiled a $1.2bn bid for Conrail, the Government-owned freight railway company, in an attempt to thwart the proposed sale to the *Norfolk Southern* Railroad group.

The consortium was put together by Morgan Stanley, the New York investment bank, which said yesterday that the offer would save the Government $600m in taxes compared to the bid made by Norfolk Southern.

There was no immediate response to the new proposal from Mrs Elizabeth Dole, Secretary of the Transportation Department, and an enthusiastic supporter of the Norfolk Southern offer. But the *intervention of the consortium* is bound to make it more difficult for the Government to achieve the agreement of Congress to a bid which has caused controversy from *the start*.

Under the consortium proposals, the 24 investors are proposing to resell their holdings in Conrail to the public over a period of time. Once *these divestments are completed*, no individual investor would hold more than 40 per cent of the railway group.

Morgan Stanley said the group includes CSX, *another* railway company, along with Citicorp Capital Investors, a subsidiary of the Citicorp banking group, Columbia University, Harvard Management, Princeton University, Dreyfus Corporation, T. Rowe Price Associates, U.S. Steel and Carnegie Pension.

The $1.2bn offer price put on Conrail by the investor group is the same as the bid from Norfolk Southern. Morgan Stanley, how*ever claims that because of differ*ent tax treatment for the two bids the consortium offer will yield a higher financial return to the Government.

New York bond market sparks Eurodollar rally

BY MAGGIE URRY IN LONDON

A FURTHER rally in the Eurodollar bond market was sparked yesterday by a strong rise in the New York bond market. Gains of ¼ to ¾ *point were seen in fixed rate issues* and recent issues were moving ahead. Merrill Lynch took the opportunity to increase its deal for Citicorp, launched last Friday, from *$100m to $150m*.

That issue had looked tightly priced when it was first launched, with a 11½ per cent coupon and a 10-year *life*. But yesterday it was *trading within its 2 per cent fees*, at around 98½.

Syndicate managers were unable to tempt other borrowers into the market though, as treasurers are *hoping for even lower interest rates* soon.

In the floating rate note market United Gulf Investment increased the four-year issue for Mir Finance from $50m to $60m.

Credit Suisse First Boston set the final terms for American General's $300m convertible issue. The coupon was fixed at the lower end of the indicated range, at 6¾ per cent and the put option after five years will be at 119¼ to give a yield of 10.03 per cent. The conversion price was set at *$40½ per share, a 21.8* per cent premium to the previous closing price. The issue was trading around par yesterday.

A $100m convertible issue for *Casio, the Japanese electronics* group, was launched by Daiwa Europe. This has the usual 15-year life with a 3 per cent coupon indicated. It traded at a discount of around 1¼ per cent, *inside the 2½ per cent to*tal commissions.

The World Bank is again employing the savings banks of Europe to arrange borrowings, following its *multi-currency borrowings in April*. Bayerische Landesbank launched a DM 200m six-year private placement yesterday with a 7⅛ per cent coupon and 99½ issue price. At the same time Sparekassen SDS launched a DKr 200m issue with a seven-year maturity and 11⅛ per cent coupon with a par issue price.

Kansallis-Osake-Pankki, the major Finnish bank, was the latest borrower to tap the currently strong European currency unit Eurobond market. The Ecu 50m issue has a seven-year *life* and the coupon was set by lead manager Banque Paribas at 9⅜ per cent, with issue price of par.

The D-Mark Eurobond market was firmer too yesterday with secondary market prices up by ¼ point on average. The weaker dollar again helped sentiment.

Swiss franc foreign bonds were unchanged although the tone remains positive and some issues moved up. Kyushu Electric Power's SwFr 100m 10-year issue, which has a 5¾ per cent coupon and a 99¾ issue price, closed its first day's trading at 99¼.

Expected today is a SwFr 120m public issue for Minebea, the Japanese ball-bearing business, with equity warrants. Crédit Suisse will be lead manager.

International bond service, Page 24

Cigna to raise $300m Euroloan

By Peter Montagnon in London

*CIGNA Corporation, the U.S. insur*ance group, is raising $300m through a three-year loan facility in the Euromarkets led by Credit Suisse First Boston and Morgan *Guaranty*.

The deal will allow Cigna to raise money through the sale of short-term Euronotes or by asking banks to bid for short-term advances. *Banks in the facility will also pro*vide a backstop credit line for an annual fee of 10 basis points.

If drawn the credit will bear interest at a margin of 10 basis points over *the London interbank offered* rate for drawings of $150m or less and 20 basis points if higher amounts are taken.

Separately Security Pacific Aus*tralia said it launched a $200m*, three-year facility under which it will issue certificates of deposit with maturities ranging from one to twelve months.

Pharmacia operating results climb 23%

BY DAVID BROWN IN STOCKHOLM

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased its operating results after depreciation during the first quarter by 23 per cent to SKr *171m ($19.2m)*.

Sales climbed 26 per cent to SKr 838m, helped by higher volume and favourable exchange rate developments. However, operating costs rose at a slightly higher rate.

Somewhat lower net financial in*come produced a pre-tax result of* SKr 182m, up 19 per cent from the corresponding period last year. Capital expenditure rose from SKr 78m to SKr 118m.

Turnover improved 26 per cent in the pharmaceuticals and diagnostics division, with especially strong improvements in the ophthamology and infusion products units. The biotechnology division saw a 29 per cent increase in sales.

Despite the regulatory withdrawal of its Crescormon drug, the group sticks by its previously published forecast of a 20 per cent rise in full-year earnings, coupled with a higher *growth* in sales.

Pharmacia has received regulatory approval in the UK for its Salazopyrin rneumatoid arthritis treatment

Deutsche Bank set for another year of growth

BY JONATHAN CARR IN FRANKFURT

DEUTSCHE Bank, West Germany's biggest commercial bank, looks set for another year of *steady growth* after raising credit volume and profits in the first quarter.

Dr F. Wilhelm Christians, one of the two speakers (co-chairmen) of the managing board, *said* partial operating profit was up by 10 per cent compared with one quarter of the full result for 1984.

Although the interest margin (the *difference between interest earned* and paid) had fallen, the bank had more than made up for this by raising average business volume by 8 per cent.

Commission earnings had been particularly buoyant, rising by 14 per cent, Dr Christians told the annual shareholders meeting in Düsseldorf yesterday.

Profits from the bank's trading on its own account had been lower than the unusually high result achieved in the comparable period of 1984, Dr Christians said.

Nonetheless full operating profit (including the results of own account trading) was still slightly higher in the first quarter of this year – both in the parent bank and the group.

Brown Boveri forecasts improvement

By John Wicks in Dättwil

BROWN BOVERI, the Swiss engi*neering* concern, expects an improvement in consolidated sales and earnings this year.

Mr Franz Luterbacher, chairman of the parent company, said turn*over should "show a marked in*crease" in 1985. Last year, sales had risen by 5.2 per cent to a record SwFr 11.2bn ($4.34bn).

This was, however, due solely to the acquisition of the Italian SAE concern, a leading company in the field of power line construction. Without this takeover, group sales would have shown a slight decline.

Consolidated *profits* were expected to increase further, said Mr Luterbacher. *Last year the Brown* Boveri group showed a net surplus of SwFr 85m. Earnings would have been some SwFr 16m higher had exchange rates remained at 1983 levels.

The SAE transaction contributed about one quarter to the improvement in profits and something approaching a half to the group's 40 per cent *increase in consolidated* cash flow to SwFr 650m.

According to chief executive officer Mr Pierot Hummel, the ratio of cash flow to sales improved last year from 4.4 to 5.8 per cent. This was still unsatisfactory, he said, adding that the ratio should be 7 per cent or more.

New-order volume in 1985 is seen as remaining at about last year's level. This rose in 1984 by 18.4 per cent, *however*, to SwFr 12.43bn.

[illegible] hure is to go up to [illegible] 450m and SwFr 500m this year, compared with SwFr 382m in 1984.

"Significant improvements" were recorded in the U.S. operations, though BBC Brown Boveri of White Plains continued in the red.

AEG set to lift profit and cut liabilities

BY JONATHAN CARR IN FRANKFURT

AEG-TELEFUNKEN, the West German *electricals* concern, *expects its* operating profit this year to exceed the 1984 level of DM 100m ($32.6m) on world sales roughly stable at about DM 11bn.

The company also believes it can make another marked cut in its net financial liabilities from last year's figure of DM 849m – itself less than half the DM 1.8bn level of 1983.

Details released by AEG show it is making steady progress back to financial health after the massive losses and near-collapse of a few years ago.

But Herr Heinz Duerr, chief executive, stressed that although the *company had "left the valley of* tears," profits were still not high enough and more improvements had to be made, especially abroad. There was no question of a dividend *payout before 1987 at the earliest*.

The low-key tone of the announcement is felt to reflect concern at managing board level that AEG's progress might awaken ex*cessive expectations among* both the company's banks and workforce.

AEG met the terms of a "composition settlement" with its creditors *on time last September, under* which it was freed from 60 per cent of its debts but had to pay back the other 40 per cent.

The board is known to feel *strongly that financial consolida*tion must continue at least through 1986, meaning all available profit will be ploughed back into AEG and no major expansion undertaken.

Last year AEG had total earnings of DM 630m – made up of the DM *100m operating* profit (after DM 40m in 1983) and big extraordinary earnings, mainly in connection with the sale of a subsidiary.

Of that total, DM 395m is being *recorded as net profit, which is* being put in open reserves, and the remaining profit into extra provision for pensions and a special reserve for general risks.

The consolidation policy is reflected both in AEG's stronger capital base – equity capital made up 23.3 per cent of the parent company's balance sheet total last year against 12.6 per cent in 1983 – and in virtual sales stagnation.

After fast turnover growth, notably in the 1970s, which was not matched by a comparable boost in earnings, the rule now is that "profit must come before sales." Last year world sales were actually down by 4 per cent to DM 11.01bn.

*Almost all AEG's divisions im*proved performance last year but two sectors – automation engineering and office equipment – suffered *unexpected setbacks*.

In the first case AEG lost around DM 100m on projects in the Middle East – notably on electrical installations at a university and hospitals in Saudi Arabia and at schools in Iraq. AEG says the losses are covered in full in the 1984 accounts and will not affect the 1985 figures.

In the second case the office equipment subsidiary Olympia, in which AEG has a 51 per cent stake, made bigger losses than expected – *just over DM 70m in the world* group and DM 53m in the parent company. It is understood that these losses have also been covered in full in the 1984 accounts, although *this was not announced*.

AEG is hoping to bring Olympia *back in the black (though almost* certainly not this year) with a new leadership team headed by Dr Karl Ernst Kalkbrenner.

Share offering brings Dome nearer stability

By Bernard Simon in Toronto

DOME Petroleum, the debt-burdened Canadian energy producer, has successfully raised C$121m (U.S.$88m) in new equity through an international offering delayed several times by fears of an unre*ceptive market*.

Dome said yesterday that 27.9m units, each comprising a common share and a warrant for half a share, were sold to three interna*tional underwriting* syndicates, with its affiliate, Dome Mines, taking up 6.1m units.

Despite earlier concern that Dome's parlous financial position *precluded a public share offering*, an official at Dominion Securities Pitfield, the lead Canadian underwriter, said that the issue was about 1½ times oversubscribed. He *described the completion of the* share issue as "one more step down the road to financial respectability" for Dome.

The infusion of new equity satisfies a *condition laid down* by Dome's creditors earlier this year as part of an agreement rescheduling over 80 per cent of the company's C$6.4bn debt.

Dome has suffered losses of C$1.7bn in the past three years following an acquisition spree in the late 1970s which was abruptly ended by the slide in world oil prices *and higher interest rates. The com*pany had a negative net worth of C$420m at the end of 1984.

Completion of the rescheduling agreement encouraged Dome to *proceed with the share issue. An*other factor was a recent relaxation in Canadian energy policies

● Dome Canada, in which Dome Petroleum holds a 48 per cent stake, *increased its first-quarter net earn*ings from C$8m to C$10.4m or from 9 cents to 12 cents a share. Revenues rose from C$44m to C$53.2m.

Schering sales ahead

BY LESLIE COLITT IN BERLIN

SCHERING, the pharmaceuticals and chemicals group based in West Berlin, boosted turnover 17 per cent in the first quarter of the year to DM 1.4bn ($456m) as a result of *strong sales abroad*. Earnings were described as "somewhat higher" than in the same period last year.

Dr Klaus Pohle, spokesman for the board, said all signs point to another good year, after what he called a "very successful 1984." Earnings last year rose 72 per cent to DM 138m, and the dividend is to be raised 3 percentage points to 24 per cent.

The U.S. has now overtaken West Germany to become Schering's largest single market, Dr Pohle said. Turnover in the U.S. last year made up more than 20 per cent of group sales. *Schering's U.S. subsidi*aries also contributed DM 34m to *earnings*, which he noted were bolstered by the strong dollar. A record 82 per cent of sales came from abroad.

Schering's diversification continued, with pharmaceutical sales making up 41 per cent of group turnover, compared with 52 per cent 10 years ago. Agro-chemicals sales, which have been greatly boosted by the acquisition of FBC in *the UK*, are now nearly as high as those of pharmaceuticals.

INTL. COMPANIES and FINANCE

Canada expects BT to toe line

By Bernard Simon in Toronto

THE Canadian Government expects British Telecom to comply with local production and other undertakings given in recent years by Mitel, the telecommunications equipment manufacturer in which BT proposes to take a controlling interest.

The C$320m ($233m) acquisition, announced last Friday, has raised fears in some quarters that Canada will lose much of the knowhow developed in the past decade by Mitel, one of the country's leading high-technology companies. There is also concern that BT will transfer much of Mitel's manufacturing capacity elsewhere, with a consequent loss of jobs in Canada.

Mr Sinclair Stevens, Industry Minister, told parliament in Ottawa that BT would have to respect the conditions imposed on Mitel since 1980 as part of government grants and other financial assistance given to the company. Mitel suffered a C$32.1m loss last year.

These conditions include the local manufacture of all products developed with the help of grants, and capital investment up to September 1987 equal to double the amount of the government contributions. In addition, Mitel has agreed to manufacture three-quarters of its micro-electronic products in Canada. The grants total around C$30m.

The takeover is still subject to vetting by Canada's Foreign Investment Review Agency (Fira). The Conservative Government in Ottawa has not turned down a single foreign investment application since coming to office last September, but Fira frequently asks new investors for undertakings related to job creation, plant location or technology transfers before recommending approval.

A new foreign investment law, significantly easing the screening process, is expected to be passed by parliament next week. But because of its size, the BT/Mitel deal will also be subject to review under the new legislation.

MIP plans to buy 49% of Van Doorne

By Laura Raun in Amsterdam

THE Dutch corporation for industrial projects (MIP), a mixed venture-capital company, plans to take a 49 per cent stake in Van Doorne's Transmissie (VDT) in a sharp reversal of a refusal to buy into the automatic-transmission maker three months ago.

The MIP's turnround apparently was prompted by assurances of continued financing by the other shareholders, Volvo Car's Dutch subsidiary and Fiat of Italy, and a bank consortium. Also, the Dutch Government, which owns 49 per cent of the MIP, is believed to be keen to keep the innovative technology of the continuously variable automatic transmission (CVT) in Dutch hands.

Volvo Car, which itself is 70 per cent owned by the Dutch state, will sell about one-third of its 39.5 per cent stake in VDT to the MIP. The Dutch state also will sell its 39.5 per cent share to the MIP, which operates independently from the Government.

The 11th-hour rescue is the second such operation in a half year for VDT. The Dutch Government provided a financial liferaft last November with its acquisition of Borg-Warner's unwanted 24 per cent share plus a Fl 5m ($1.44m) bridging loan. That was supplemented by Fl 4.9m in fresh capital from Volvo and Fiat, which holds the remaining 24 per cent of VDT.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 14.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	105¼	105¾	+0⅜	+1½	10.57
Austria Rep 13⅝ 92	100	110	110½	+0⅛	+0⅝	11.43
Bank Of Tokyo 12⅝ 92	100	†104	104½	+0½	+1¾	11.85
Bank of Tokyo 13⅝ 91	100	108¾	109¼	+0⅞	+1⅞	11.48
BP Capital 11⅛ 92	150	99¼	99¾	+0⅛	+1¼	11.21
Caisse Nat Tele 13¾ 91	100	110⅜	110⅞	+0¼	+1¾	11.24
Canada 11½ 90	500	103½	104	+0½	+1⅛	10.46
Canadian Pac 12½ 99	75	104½	105	+0¼	+1¼	11.78
CBS Inc 11⅞ 92	100	100½	101	+0¼	+2	11.19
Chevron U.S.A. 12¼ 89	600	103⅜	103⅞	+0⅛	+0⅝	11.12
Coca Cola 11¾ 91	100	104½	105	+0⅜	+1⅛	10.65
Denmark Kingdom 11½ 92	100	99¼	99¾	+0⅛	+0½	11.60
Denmark Kingdom 13¼ 91	100	106⅞	107⅜	+0¾	+1⅜	11.57
Denmark 13⅞ 88 XW	100	107⅜	107⅞	+0⅛	+0½	10.91
Denmark Kingdom 14 91	100	109¾	110¼	+0⅛	+0⅞	11.61
E.E.C. 11⅛ 90	100	101	101½	+0½	+1½	10.74
E.I.B. 11 95	100	†*97⅝	98⅛	+0¼	+0¼	11.35
E.I.B. 13 98	200	107⅛	107⅝	+0½	+1½	11.76
Export Dev Corp 12 89	100	104⅛	104⅝	+0⅜	+1⅛	10.67
Exxon Capital Corp 0 2004	1800	12	12½	+0¼	0	11.37
Ford Motor Cred 11⅜ 95	100	97⅞	98⅜	+0½	+1⅛	11.94
IBM Credit 10⅞ 2000	300	99⅝	100⅛	+0⅜	+1⅝	10.38
IBM Credit Corp 11¾ 87	200	103⅛	103⅝	+0⅛	+0¾	10.02
Indust Bk Japan 12⅞ 89	100	107	107½	+0⅝	+1¾	10.65
Indust Bk Japan 13⅞ 91	125	110⅝	111⅛	+0⅜	+1⅛	11.38
Int-Am Dev Bk 12¾ 91	150	105⅜	105⅞	+0½	+1⅛	11.44
Japan Air Lines 13⅜ 94	180	113¼	113¾	+1⅝	+2¼	10.95
Kellogg Company 10⅞ 90	100	100⅝	101⅛	+0¼	+1⅝	10.58
Kellogg Company 11¼ 92	100	102	102½	+0½	+0⅛	10.73
L.T.C.B. 12⅞ 91	100	106	106½	+0½	+1½	11.42
Macy Cred Corp 11¾ 95	100	101	101½	+0¼	+1⅞	11.51
Mellon Bank 13 87	100	104½	105	+0¼	+0⅜	10.58
Merrill Lynch 12¾ 89	100	104¼	104¾	+0¼	+0⅝	11.34
Minnesota 11½ 87	100	102½	103	0	+0¾	10.10
Mitsubishi Corp 13¼ 89	100	109⅝	110⅛	+0½	+1¾	10.22
Montagu 13¼ 91	100	105	105½	−0¼	+0⅜	11.98
Morgan Guaranty 12⅞ 88	150	104⅜	104⅞	+0½	+1½	10.85
Nippon Cred Bk 13⅞ 89	100	108½	109	+0½	+1¼	11.10
Nth America 12⅞ 91	100	104⅛	104⅝	0	+0⅜	11.82
Penney J.C. 12¾ 91	100	105½	106	+0⅝	+1⅝	11.49
Pru Realty secs 12⅛ 95	546	103¾	104¼	+0½	+1⅞	11.40
Quebec Hydro 11½ 92	100	101⅝	102⅛	+0¼	+1½	11.09
Ralston Purina 11¾ 95	150	101⅝	102⅛	+0⅜	+0¾	11.42
Ralston Purina 12¾ 89	100	105½	106	+0⅛	+0¾	10.99
Royal Bk Can 12¾ 92 XW	100	103	103¾	+0¼	+1¼	11.96
Saskatchewan 10 3/4 92	100	97⅝	98⅛	+0¼	+1⅛	11.19
Saskatchewan 11 7/8 89	100	104	104½	+0¾	+1⅝	10.60
S.N.C.F. 12⅜ 92 XW	100	101⅞	102⅜	+0⅜	+0¾	11.90
Statoil 13½ 89	100	109	109½	+0⅜	+1¼	10.62
S Wales Trsy 11¾ 90	150	102⅞	103⅜	+0¼	+1⅝	10.90
Swed Exp Cred 12¾ 89XW	100	104½	105	−0½	+0⅛	11.26
Sweden Kingdom 10⅞ 90	200	99¼	99¾	−0¼	−0¼	11.01
Sweden Kingdom 11½ 89	200	101¾	102¼	+0¼	+0¾	10.88
Sweden Kingdom 11¾ 94	100	101⅜	101⅞	+0⅜	+1¼	11.43
Texaco Capital 12⅞ 87	300	104⅛	104⅝	+0⅛	+0⅝	10.56
Texaco Capital 13½ 89	200	106⅝	107⅛	−0¼	+0¼	11.32
Toronto Dom Bk 12½ 88	100	103	103¾	+1⅜	+1⅜	11.85
Walt Disney Pro 12½ 87	150	†105⅝	106⅛	+0½	+2⅛	9.58
Weyerhaeuser 12¼ 87	150	103¼	103¾	+0¼	+0⅞	10.47
World Bank 12¼ 94	150	104⅝	105⅛	+0⅞	+1⅝	11.36
World Bank 12⅞ 94	200	107⅝	108⅛	+0¾	+1⅝	11.43

Average price change On day +0⅜ on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	102⅛	102⅞	+0¼	+0⅜	7.61
Austria,Republic 7⅝ 94	200	100⅞	101⅝	+0⅛	+0⅛	7.42
Baxter Travenol 7¼ 94	200	100¾	101½	+0¼	+0⅜	7.07
Credit National 8⅛ 94	200	103½	104¼	+0⅛	+0⅞	7.58
Degussa Int Fin 7½ 94	100	103½	104¼	−0⅛	+0⅝	6.89
E.E.C. 8 92	200	102⅞	103⅝	0	+0⅛	7.39
Escom 8 92	150	100⅛	100⅞	+0¼	+0½	7.90
Ferrovie Dello Stato 8 91	100	102¼	103	−0⅛	−0¼	7.43
Finland Republic 7 92	200	98⅛	98⅝	+0⅛	+0¾	7.31
Gould Int Fin 7⅝ 91	100	101¼	102	+0⅛	+0⅜	7.28
Ireland 8⅛ 92	150	102⅜	103⅛	0	+0¼	7.80
Japan Fin Corp 7⅜ 91	100	102⅜	103⅛	+0¼	+0½	7.05
Mitsubishi Hvy 3½ 89WW	300	105⅛	105⅞	0	+0⅛	2.81
Mitsubishi Hvy 3½ 89XW	300	91	91¾	+0¼	+0⅞	6.06
Mitsubishi Met 3⅛ 89WW	100	97	98	+0⅛	+0½	3.72
Mitsubishi Met 3⅛ 89XW	100	86	86¾	−0⅛	+0⅛	6.65
O.K.B. 7½ 88	100	100⅛	100⅞	−0¼	+0⅛	7.31
Pepsico O/S Fin 7¼ 94	250	102	102¾	+0⅛	+1⅛	6.87
Renown 3⅛ 90	80	99	100	0	+1¾	3.23
Reynolds O/S Fin 7⅞ 94	125	102¾	103½	−0⅛	−0⅛	7.60
Societe Cent Nuclear 8 91	100	102¼	103	+0⅛	+0⅜	7.44
Sth Africa Rep 8½ 91	200	101¼	102	0	−0⅛	8.16
Sth African Tran 7⅜ 92	100	96½	97¼	0	+0⅛	8.18
World Bank 7¾ 89	100	101⅜	102⅛	−0¼	0	7.19
World Bank 8 94	200	103¾	104½	+0⅛	+1½	7.34

Average price change On day +0⅛ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†101¾	102	+0⅛	+0¼	5.96
Asian Dev Bank 6⅛ 96	100	†101	101½	+0⅛	+0½	5.97
Avon Cap Corp 5⅞ 94	130	†97¾	98¼	−0⅛	+0⅜	5.65
Brit land Comp 6½ 99	75	†102¾	103	−0¾	−0½	6.19
Council of Europe 6 92	120	†101½	101¾	+0⅜	+0½	5.72
Creditanstalt 5½ 94	100	†98	98¼	0	+0½	5.75
Deutsche Bk Fin 5⅜ 95	100	†100¼	100½	+0¼	+0¾	5.32
E.I.B. 5⅞ 94	120	†100¾	101	+0¼	0	5.75
Eurofima 5 97	100	†*98	99¼	0	0	5.10
Eurofima 5¼ 96	100	†*100	100¼	0	0	5.23
Export Dev Corp 5⅜ 92	125	†99¾	100	0	+0¼	5.39
First Boston Inc 5¾ 94	60	†101½	101¾	0	+0½	5.52
Gen Occidentale 4½ 94	80	†101½	101¾	+0⅜	0	4.29
I C Industries 5⅝ 94	125	†101	101¼	+0½	+0½	5.47
Ind Fund Fin 5¾ 94	40	†100	100¼	−0¼	0	5.73
Int-Am Dev Bk 6⅛ 94	120	†101½	101¾	0	0	5.89
New Zealand Govt 5¾ 93	150	†101¼	101½	0	+0¾	5.55
N.Zealand steel 5¾ 98	70	†99	99¼	0	+0¼	5.85
Oberos Kftwk 5⅞ 95	100	†*97¾	98	+0¼	+0⅞	5.66
Ost Donaukraft 5⅜ 95	70	†*99	99¼	+0½	0	5.49
Ralston Purina 5⅜ 94	125	†99	99¼	0	+0¼	5.40
Santos Finance Ltd 6 94	130	†98½	98¾	+0¼	+0¼	6.19
Tokyo Elec Pwr 5½ 93	120	†*99¼	99½	0	0	5.60
Tokyo Metropolis 5¼ 94	80	†97½	97¾	+0½	+1	5.57
World Bk 5¾ 94	150	†100¼	100½	−0¼	+0½	5.80

Average price change On day +0⅛ on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	97¼	97¾	+0⅛	+0⅜	7.36
BP Overzee 7 92	17	99⅞	100⅜	+0¼	+0½	6.97
Fed Natl Mort 6⅞ 92	50	97½	98	−0⅛	+0⅛	7.29
World Bank 6⅝ 90	25	98⅛	98⅝	0	+0¼	7.02
World Bank 6⅝ 94	20	95¼	95¾	+0⅛	+0½	7.35

Average price change On day 0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 12¼ 97 C$	125	†101¼	101¾	+1	+1⅜	11.99
British Columbia 12 90 C$	125	†101⅞	102⅜	+0⅞	+0⅞	11.49
Can Nat Rail 12½ 95 C$	100	†103½	104	+1⅜	+1⅝	11.83
Chrysler Cred 12⅝ 92C$	60	†99⅝	100⅛	+1⅛	+1⅝	12.65
Denmark 11⅜ 91 C$	100	†98½	99	+1¼	+1	11.91
Desjardins 12½ 90 C$	50	†101	101½	+1⅛	+1¼	12.15
E.I.B. 12 95 C$	75	†97⅞	98⅜	+0⅞	+1⅛	11.92
Giro Und Bk 10½ 93 ECU	60	105	105¾	0	+0½	9.53
World BK 10¼ 89 ECU	125	105½	106¼	0	+0¼	8.66
World Bk 10⅝ 94 ECU	75	106¼	107	+0⅛	+0⅞	9.52
Akzo 7 90 FL	150	98¼	98¾	0	0	7.37
Eurofima 7½ 92 FL	50	99¾	100¼	+0⅛	+0⅜	7.58
Philips Lamps 7½ 90 FL	100	100⅞	101⅜	−0⅛	−0⅛	7.22
Rank Xerox 8 90 FL	100	101¼	101¾	0	+0½	7.82
World Bank 7½ 90 FL	150	100	100½	+0⅛	+0⅜	7.44
Charbonnages 13⅞ 85 FF	400	101⅛	102⅛	0	0	10.59
American Brands 12 95 £	40	104⅛	104⅝	0	−0⅜	11.22
Amer Express 11⅜ 92 £	30	101⅝	102⅛	0	0	10.95
Australia Comm 11 92 £	40	97¾	98¼	0	0	11.42
BP Capital 10¾ 92 £	50	96¾	97¼	0	−0¼	11.35
E.I.B. 11⅛ 93 £	50	97⅜	97⅞	0	−0⅛	11.59
Inco 12¾ 93 £	50	99⅝	100⅛	+0¼	+0⅛	12.78
Mcdonalds 10⅞ 90 £	40	98⅛	98⅝	+0⅛	0	11.31
Norsk Hydro 11⅝ 91 £	50	102½	103	+0⅛	−0¼	10.94
Privatbanken 11⅞ 92 £	20	98⅜	98⅞	+0¼	+0¼	12.17
Rank Xerox 11 92 £	40	96⅝	97⅛	+0¼	−0¼	11.67
Royal Trustco 11⅞ 90 £	30	99	99½	0	+0⅛	11.57
Ster Drug Cap 10⅞ 90 £	30	97½	98	−0⅛	−0⅜	11.40
Swed Exp Cred 11⅜ 92 £	50	99	99½	+0⅛	+0⅛	11.52
Trusthouse Forte 11⅛ 90£	50	97⅛	97⅝	+0⅛	−0⅜	11.85
World Bank 11¼ 95 £	100	97⅞	98⅜	+0⅞	−0¼	11.58
E.C.S.C. 10½ 94LF	100	103⅝	104⅝	−0⅛	+0⅞	9.75
Nat Lux Alum 10½ 92 LF	600	103⅞	104⅞	+0¼	+1	9.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 98	0⅛	100⅛	100⅜	11/10	9⅝	9.60
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅜	28/6	8.81	8.79
Bank of Montreal 5 96	0⅛	100½	100¾	28/7	8¾	8.70
Bankers Trust 5 2000	0	99¾	100	11/6	8.81	8.82
Bankers Trust 5¼ 96	0¼	100⅛	100⅜	13/6	8.31	8.29
Barclays O/S Inv 5 2004	0⅛	100⅜	100⅝	4/9	10¼	10.20
B.F.C.E. 5¼ 99	0⅛	100½	100¾	13/9	10.06	10.05
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/7	9⅛	9.11
C.C.F. 5¼ 97	0	99⅝	99⅞	22/9	10⅝	10.65
Chase Man'tn 5¼ 2009	0⅛	100	100¼	5/6	8.69	8.68
Citicorp O/S 5¼ 96 Sep	0⅛	100	100¼	19/12	11.19	11.17
Credit Lyonnais 5¼ 96	0⅛	100½	100¾	11/10	9.69	9.63
Dresdner Fin 5¼ 89	0	100	100¼	25/5	9⅜	9.36
Ireland 5¼ 97	0	100⅛	100½	28/10	9.69	9.65
Ireland 5¼ 99	0	100⅜	100⅝	14/8	10	9.95
Italy, Republic 5 94	0⅛	99⅞	100⅛	9/8	9.94	9.94
Lloyds Euro 5 2004	0⅛	100	100¼	18/10	9⅛	9.11
Midland Int Fin 5 99	0⅛	100½	100¾	8/9	10.44	10.37
Nat West-Perp 5 89	0⅛	100⅞	101⅛	13/5	10⅝	10.27
Queensland Coal 5¼ 96	0¼	100½	100¾	9/5	10.06	10.00
Roy Bk Scot 5¼ 2005 £	0	98⅛	98⅝	2/6	5¼	5.29
Societe Gen 5¼ 95	0	†100⅝	100⅞	12/10	9½	9.43
Sweden Perp 5¼ 85	0¼	100¼	100½	9/7	9.44	9.40
Tokai 5¼ 99	0⅛	100⅜	100⅝	12/8	8.94	8.89
Toyo 5¼ 99	0⅛	100¼	100½	14/8	9.81	9.76

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	92⅜	93⅜	−0⅜	6.24
Fanuc 3¾ 98	1/84	7032.3	164⅜	165⅞	+0½	36.85
Fujitsu 3 99	5/84	1320.9	93⅞	94⅞	+0¾	18.90
Kumagai Gumi 3½ 2000	3/85	600	104⅞	105⅞	0	−1.78
Marui 3½ 99	7/84	1182	90⅛	91⅛	+0½	−0.95
Mitsubishi Elec 2⅞ 00	3/85	422	94½	95½	+0½	−0.16
Murata 3½ 99	2/84	2357.2	112	113	+0⅞	25.74
Murata 3½ 2000	7/84	2398	110	111	+0⅝	28.88
Nippon Elec 2⅞ 2000	1/85	1295	86¼	87¼	−0⅝	54.70
Nippon Oil Co 3 2000	5/85	923	95⅜	97⅜	+0¾	1.65
Nippon Oil Co 3¼ 99	3/84	1052	86⅛	87⅛	+0⅝	12.56
Oki Elec Ind 3½ 99	10/84	805	86¼	87¼	0	15.68
Orient Leasing 5¼ 98	6/83	2680	99⅞	100⅛	+0¼	−0.89
Sekisui House 3 99	6/84	612	94⅜	95⅜	+0¼	−1.85
Sony Corp 2 2000	5/85	4578	91⅝	92⅝	−0¾	1.87
Sumitomo Corp 2⅞ 99	5/84	593	99⅜	99⅜	+0⅛	−1.01
Taiyo Yuden 3¼ 2000	3/85	1078	98½	99¾	+0¼	0.58
Takeda Riken 5⅜ 2000	10/84	7663	92¼	93¼	0	10.70
Tokyo Sanyo Elec 3½ 99	12/84	772	91⅝	92⅝	+1⅜	7.47
Toshiba Ceramics 3 2000	4/85	1734.2	93	94	+0½	1.42
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†104	105	+1¾	15.63
Nippon Shinpan Co 2 92 SF	3/84	801	†93½	95½	+0⅞	10.61
Settsu Paper 2¼ 92 SF	4/84	677	†*135	136	0	−4.06
Asics 5 92 DM	12/83	520	102½	103½	0	28.16
Sum Realty 6¼ 92 DM	2/83	365	211⅛	212⅜	0	5.64

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا من الأصل

ELETROBRAS

Centrais Eletricas Brasileiras S.A.

Kuwaiti Dinars 10,000,000 8½% Bonds due 1985/1990

Option to Redeem on October 15th 1985

Notice is hereby given that under condition 4 (c) of the bonds. the holders of any of the above bonds shall have the option to have such bond redeemed by Eletrobras at 100 per cent on October 15th 1985. To exercise the option the holder of bonds shall deposit the bonds to be redeemed with the fiscal agent or any of the paying agents at the addresses given below from whom payment is required at any time between June 15th 1985 and July 15th 1985 (both dates inclusive).

Any bonds so deposited may not be withdrawn without the prior consent of ELETROBRAS.

FISCAL AGENT
KUWAIT INTERNATIONAL INVESTMENT CO. s.a.k.
P.O. BOX 22792, GATE NO. 1
5th FLOOR — SALHIYA COMMERCIAL COMPLEX
KUWAIT.

PAYING AGENTS
KREDIETBANK S.A. LUXEMBOURGEOISE
37, RUE NOTRE DAME
LUXEMBOURG.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
35 AVENUE DES ARTS
1040 BRUSSELS — BELGIUM

MERRILL LYNCH INT'L BANK LTD.
MERRILL LYNCH HOUSE
3 NEW GATE STREET
LONDON EC1A 7DA — UNITED KINGDOM

BY

Kuwait International Investment Co. s.a.k.

(fiscal agent)

Company Notices

CAISSE CENTRALE
DE COOPERATION
ECONOMIQUE

Bond Issue of US$200,000,000

Floating Rate Notes 1985/2005

The rate of interest applicable to the interest period from May 15 1985 up to August 15, 1985 as determined by the reference agent is 8⅞ per cent per annum namely US$214.03 per note of US$10.000.

Public Notices

INVESTIGATION BY THE MONOPOLIES AND MERGERS COMMISSION

PROPOSED ACQUISITION OF MATTHEW BROWN PLC BY SCOTTISH & NEWCASTLE BREWERIES PLC

On 24th April 1985 the Secretary of State for Trade and Industry referred to the Monopolies and Mergers Commission for investigation and report under the provisions of the Fair Trading Act 1973 the proposed acquisition of Matthew Brown PLC by Scottish & Newcastle Breweries PLC.

The Commission are required to make their report by 23 October 1985. Any person or organisation wishing to give information or views on this proposed acquisition should write as soon as possible to: The Secretary, Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$100,000,000
Senior Floating Rate Notes Due 1995
(of which U.S.$75,000,000 is being issued as the Initial Tranche)

Notice is hereby given that the rate of interest has been fixed at the minimum rate of 10½% and that the interest payable on the relevant Interest Payment Date November 15, 1985 against Coupon No. 1 in respect of US$10,000 nominal of the Notes will be US$536.67

May 15, 1985, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

INTL. COMPANIES & FINANCE

Singapore Press shows marginal profits advance

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE Press Holdings, the newspaper monopoly and publishing combine which is the island state's biggest publicly quoted *industrial company*, yesterday reported its first corporate results since last year's merger of Straits Times Press and Times Publishing with Singapore News and Publications.

The merger *took formal* effect at the end of November 1984, and yesterday's figures, for the six months to February, combine the results of the three companies and *their subsidiaries* for a period straddling the change, and compare it with the same period the previous year when the companies were rivals.

Pre-tax profits show a 2.3 per cent rise to $57.74m (U.S.$26.03m) on a turnover down a marginal 0.3 per cent to S$422.9m. After tax, and taking *into account minority interests*, profit attributable to shareholders is up 5 per cent at S$33.48m, and the board has declared an interim 10 cents *dividend per S$1 share.*

The group says that trading profits were slightly weaker at S$47.5m because newspaper operations were adversely *affected by a reduction in* advertisement revenue. It expects the downward trend to continue, hitting second-half profits, and warns that, with recent cost increases, "it may be necessary to review the cover price of our newspapers later in the year."

The group also reported that the UK-incorporated Marshall Cavendish group had returned to profitability. First acquired by *Times Publishing in 1980, it* represents the largest group investment outside Singapore and made a loss in the 1984 financial year.

Singapore Press Holdings, with a market capitalisation *above S$1.4bn, is the largest* single media group in South-East Asia. It is rich in cash and has interests around the world.

Citizen reaps benefits of diversification

By Our Financial Staff

CITIZEN, one of Japan's biggest watch makers, *yesterday* reported a 12.6 per cent advance in parent company taxable profits to Y12.09bn ($48.1m) for the year to March, up from *Y10.74 bn in the previous* period, as the benefits of a diversification programme began to show through.

Turnover of Y147.75bn, *against Y127.49bn*, was *still* largely accounted for by sales of wristwatches, although their share of the total dipped to 72 per cent from 77.8 per cent. The *industrial machinery division* grew from 11.8 per cent to 13.6 per cent of turnover.

Sharply reduced asset sales left net profits at Y5.91bn or *Y23.68 per share*, compared with Y5.89bn or Y26.74. The dividend was held at Y7.50.

Makino Milling earnings up 22% on record sales

BY YOKO SHIBATA IN TOKYO

STRONG economic recovery in the U.S. and a boost in domestic capital investments helped Makino Milling Machine, a leading *Japanese machine* tool maker, to lift parent company pre-tax profits 21.9 per cent to Y 6.97bn ($27.7m) in the year to March.

Net profits were up 7.8 per cent to Y 3.25bn, on record turnover of Y 50.36bn, 23 per cent ahead of the previous year. Net earnings per share advanced from Y 37.22 to Y 39.45, while a term-end dividend unchanged at Y 5.50 has maintained a total of Y 11.

During the year electrodischarge machines became Makino's second major line of business as turnover increased 37.5 per cent to acount *for* Y 9.2bn or 18.3 per cent of total sales. Sales of machining systems, its main product line, rose 41 per cent to account for 40.4 per cent of turnover. However, milling machine sales fell by 23.7 per cent to contribute 15.6 per cent to the total.

Exports, centring on the U.S. market, jumped 56.6 per cent and represented 32 per cent of the sales total.

Over the year, the company's orders received reached a record of Y 51.6bn, with a substantial contribution from the electrodischargers side, up by a half.

The year-end order backlog stood at Y20.1bn, and demand is expected to hold up well in the current year. Taxable profits of Y7.6bn (up 9.5 per cent) and net profits of Y3.5bn (up 7.7 per cent), on turnover of Y55bn) 9.2 *per cent ahead) are* predicted for the year to March 1986.

Palmco takes Thai bank stake

BY WONG SULONG IN KUALA LUMPUR

PALMCO, Malaysia's biggest palm oil refining group, has announced it has taken a 12 per cent stake in Laem Thong Bank, a commercial bank listed on the Securities Exchange in Thailand.

Palmco said it paid 90m baht (U.S.$3.3m) for 120,000 shares of the bank.

Directors say the acquisition will further increase the group's involvement in the financial services sector and will contribute to its long-term earnings.

In recent years, Palmco has diversified into financial services, property development and hotels, because of the poor prospects for palm oil refining owing to excess capacity in the industry.

The Laen Thong Bank acquisition is its third venture in Thailand. Palmco has a 38 per cent stake in Thaimex Industries, a palm oil refiner, and a 43 per cent stake in Thaimex Finance and Securities, a deposit taking company.

CNA Gallo steady on higher turnover

By Jim Jones in Johannesburg

CNA GALLO, the South *African manufacturer of* records and music tapes and the country's largest distributor of books and periodicals, boosted sales despite a decline *in discretionary consumer* spending in the year to end-March.

Turnover increased 7.8 per cent to R292.5m ($148m) from *R271.4m, but pre-tax* profits edged up just 0.8 per cent to R24m, against R23.8m.

The directors say that management did well to *increase the company's share* of a shrinking market, to contain operating cost increases and effectively to manage assets. Nevertheless the board is pessimistic on this year's prospects.

The directors cannot say when South Africa *will* move out of recession and expect sales growth to decline again this year.

An unchanged total dividend of 16 cents has been declared. Earnings increased to 42.8 cents a share last year from 41.7 cents. *CNA* Gallo is controlled by Premier Group, the diversified food and consumer goods group which in turn is indirectly *controlled by Anglo American* Corporation.

Vereeniging Refractories (Verref), the South African refractories and building products manufacturer, earned a lower trading profit in the year end March even though turnover increased.

Sales rose 6.5 per cent to R143.1m *from* R134.4m while the trading profit before interest and tax dropped 14.2 per cent to *R18.5m from* R21.5m. Higher interest income resulted in a smaller 11.7 per cent decline in the pre-tax result which slipped to *R20.3m from* R23m.

The profits decline came largely in the second half when the effects of the Government's austerity measures were *fully* felt. A lower tax charge and a lower minority share in the profits of subsidiaries left the attributable after-tax profit higher at *R9.7m against* R8.9m.

Earnings rose to 188.7 cents a share from 173.7 cents a share and the total dividend was increased to 62 cents *from* 60 cents. Verref is a subsidiary of Anglo American Coal Corporation (Amcoal),

Citicorp Overseas Finance Corporation N.V.
(Incorporated with limited liability in the Netherlands Antilles)

ECU 40,000,000
11¼% 1983-1990 Guaranteed Bonds

Irrevocably and Unconditionally Guaranteed by
CITICORP

NOTICE IS HEREBY GIVEN that, pursuant to the Conditions of the Bonds, Citibank N.A. as Fiscal Agent, has selected by lot for redemption on June 15, 1985 ECU 5,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for redemption are as follows: Outstanding Bonds bearing serial numbers ending in any of the following two digits:

05	10	14	35	46	63
64	71	77	87	88	89

Also Bonds bearing the following serial numbers:

348	648	748	948	1048	1148	1248	1348
1548	1748	1848	1948	2148	2348	2548	2748
2948	3048	3348	3848	4048	4148	4548	4748
4848	4948	5148	5448	5648	5748	5848	5948
6348	6448	6648	7148	7248	7348	7648	8248
8448	8748	9048	9248	9448	9548	9648	9748
9848	10048	10148	10448	10548	11048	11548	11648
11948	12048	12348	12448	12648	12948	13048	13148
13448	13548	13648	13848	13948	14048	14148	14248
14948	15048	15248	15348	15548	15748	16048	16148
16448	16648	16848	16948	17248	17348	17448	17548
17648	17748	17848	18148	18248	18348	18548	18648
18848	18948	19348	19448	19548	20048	20348	20748
20948	21148	21248	21448	21548	21648	21748	21848
22148	22348	22448	23348	23448	23648	23748	24348
24448	24648	24748	24948	25048	25148	25248	25348
25548	25648	26348	26548	26648	26848	26948	27148
27348	27548	27748	27948	28148	28348	28448	28548
28748	28848	28948	29048	29148	29248	29748	29848
29948	30348	30448	30548	30648	30748	30848	30948
31148	31248	31648	31748	31848	31948	32148	32248
32348	32748	33148	33548	33948	34048	34348	34448
34648	34748	35148	35548	35648	35748	35848	35948
36148	36348	36648	37248	37348	37448	37548	37748
37948	38248	38548	39448	39548	39648	39748	39948

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on June 15, 1985 should be detached and presented for payment in the usual manner. On and after June 15, 1985 interest on the Bonds will cease to accrue and unmatured coupons will become void.

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

May 15, 1985
By Citibank, N.A. (CSSI Dept.)
London, Fiscal Agent CITIBANK

DnC

Den norske Creditbank

US$150,000,000

Perpetual Floating Rate Subordinated Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from May 15 – August 15, 1985 the Notes will carry an Interest Rate of 8⁹⁄₁₆% per annum and the Coupon Amount per U.S.$10,000 will be U.S.$218.82.

May 15, 1985
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

New Issue. These Notes having been sold, this announcement appears as a matter of record only.

SEK

AB Svensk Exportkredit
(Swedish Export Credit Corporation)
(Incorporated in the Kingdom of Sweden with limited liability)

£50,000,000

11⅜% Notes due 1992
Issue Price 100 per cent.

Lloyds Bank International Limited

Algemene Bank Nederland N.V. — Banque Indosuez
Barclays Bank Group — Baring Brothers & Co., Limited
Commerzbank Aktiengesellschaft — Daiwa Europe Limited
Enskilda Securities (Skandinaviska Enskilda Limited) — Grindlay Brandts Limited
Hambros Bank Limited — Hill Samuel & Co. Limited
Samuel Montagu & Co. Limited — The National Commercial Bank (Saudi Arabia)
Nomura International Limited — Post- och Kreditbanken, PKbanken
J. Henry Schroder Wagg & Co. Limited — Svenska Handelsbanken Group
Swiss Bank Corporation International Limited — S. G. Warburg & Co. Ltd.
Götabanken

March 1985

All of these securities have been sold. This announcement appears as a matter of record only.

PHILIP MORRIS

£75,000,000

PHILIP MORRIS CREDIT CORPORATION

11⅛% Bonds due 1995

Lloyds Bank International Limited

Algemene Bank Nederland N.V. — Amro International Limited
Banque Bruxelles Lambert S.A. — Barclays Bank Group
Baring Brothers & Co., Limited — Credit Suisse First Boston Limited
Daiwa Europe Limited — Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp. — Grindlay Brandts Limited
Hambros Bank Limited — Hill Samuel & Co. Limited
Lehman Brothers International — Morgan Grenfell & Co. Limited
Nomura International Limited — Orion Royal Bank Limited
J. Henry Schroder Wagg & Co. Limited — Société Générale
Société Générale de Banque S.A. — *Sumitomo Finance International*
Swiss Bank Corporation International Limited — Union Bank of Switzerland (Securities) Limited

Al-Mal Group
Bankers Trust International Limited
Bank of Tokyo International Limited
Banque Populaire Suisse SA Luxembourg
Chemical Bank International Ltd
Copenhagen Handelsbank A/S
Credito Italiano
Enskilda Securities (Skandinaviska Enskilda Limited)
Kidder, Peabody International Limited
McLeod Young Weir International Limited
Morgan Guaranty Ltd
Pierson, Heldring & Pierson N.V.
N. M. Rothschild & Sons Limited
Swiss Volksbank
Wood Gundy Inc.

Banca Commerciale Italiana
Bank Leu International Ltd
Bank J. Vontobel & Co. AG
Basler Kantonalbank
Citicorp Capital Markets Group
County Bank Limited
Dillon, Read Limited
Genossenschaftliche Zentralbank AG
Kleinwort, Benson Limited
Merrill Lynch Capital Markets
The Nikko Securities Co., (Europe) Ltd
PK Christiania Bank (U.K.) Limited
Standard Chartered Merchant Bank Limited
Westdeutsche Landesbank Girozentrale
Yamaichi International (Europe) Limited

BankAmerica Capital Markets Group
Bank Mees & Hope NV
Banque Indosuez
Bayerische Vereinsbank AG
Commerzbank Aktiengesellschaft
Crédit Commercial de France
Drexel Burnham Lambert Incorporated
Girozentrale und Bank der oesterreichischen Sparkassen AG
LTCB International Limited
Mitsubishi Finance International Limited
PaineWebber International
Rabobank Nederland
Svenska Handelsbanken Group
Westpac Banking Corporation

Aktieselskabet Varde Bank
Banco di Roma
Banque Générale du Luxembourg S.A.
Banque Privée de Gestion Financière
Bayerische Hypotheken-und Wechsel-Bank AG
Bergen Bank A/S
Compagnie de Banque et d'Investissements
Crédit Général S.A. de Banque
Den Danske Bank af 1871 Aktieselskab
Dominion Securities Pitfield Limited
Gefina International Ltd
Landesbank Rheinland – Pfalz Girozentrale
New Japan Securities Europe Ltd
Sal Oppenheim jr. & Cie.
Sarasin International Securities Limited
The Taiyo Kobe Bank (Luxembourg) S.A.
Union Bank of Norway Ltd
M. M. Warburg-Brinckmann, Wirtz & Co.

Banca del Gottardo
Banco di Santo Spirito
Banque Internationale à Luxembourg S.A.
Banque Worms
Bayerische Landesbank Girozentrale
Berliner Bank Aktiengesellschaft.
Compagnie Monégasque de Banque
Crédit Industriel d'Alsace et de Lorraine
Deutsche Girozentrale-Deutsche Kommunalbank
Euromobiliare S.p.A.
Italian International Bank Plc
F. Van Lanschot Bankiers N.V.
Nippon Kangyo Kakumaru (Europe) Ltd
Oesterreichische Laenderbank AG
Schoeller & Co. Bankaktiengesellschaft
Takugin International Bank (Europe) S.A.
United Overseas Bank
Yasuda Trust Europe Limited

Banca Nazionale del Lavoro
Bank Max Fischer CV
Banque de Neuflize, Schlumberger, Mallet
H. Albert de Bary & Co. N.V.
Joh. Berenberg, Gossler & Co.
Burns Fry Limited
Credit du Nord
Dai-Ichi Kangyo International Limited
DG BANK Deutsche Genossenschaftsbank
Fuji International Finance Limited
Kyowa Bank Nederland N.V.
B. Metzler seel. Sohn & Co.
Norddeutsche Landesbank Girozentrale
Postipankki
Sparekassen SDS
Tokai International Limited
Vereins-und Westbank Aktiengesellschaft

April 1985

Lloyds Merchant Banking Group

INTL. COMPANIES & FINANCE

Paul Taylor on sale of a defence giant to benefit medicine

Hughes Aircraft flies into view

HUGHES AIRCRAFT, the corporate creation of the late aviation pioneer, billionaire and recluse Howard Hughes, has not built a plane in years.

But a bulging defence and electronics order book has made the El Segundo, California-based group, which once produced the legendary wooden Spruce Goose and the experimental H-1 Racer, one of the hottest corporate properties ever to go under the auctioneer's hammer.

Tomorrow, assuming no last minute hitches, Morgan Stanley, the Blue Chip Wall Street investment bank, will select the winning sealed bid for the privately held company – put up for sale by the Howard Hughes Medical Institute – from among some of the biggest names in corporate America.

Among the corporations expected to have submitted sealed bids in the multi-billion dollar auction—the largest ever involving a private company — are General Motors and Ford, of the motor companies, and Signal Companies, and Allied Corporation. Other potential bidders mentioned over the last few months have included Boeing, Lockheed, Rockwell, United Technologies and General Electric until it said recently that it would not enter the final bidding round.

After receiving the recommendation of Morgan Stanley, and assuming the bids match up to expectations, the ultimate winner will be selected by the medical institute's nine-member board appointed last year, at the end of a six-year bitter legal battle over control of the company after Howard Hughes' death in 1976.

The new trustees put Hughes Aircraft up for sale to settle an even longer running dispute with the U.S. Internal Revenue Service (IRS) which has insisted that the non-profit institute must distribute more cash if it is to retain its tax-free charitable status.

Wall Street and the institute believe Hughes Aircraft, spun off from its previous parent, Hughes Tool, in 1953 as part of a tax shelter scheme devised by Howard Hughes which ensured he retained control over the business, could fetch between \$4.5bn and \$6bn—effectively limiting potential buyers to those, like GM which has almost \$8.45bn in cash, with exceptionally deep pockets.

For that price the auction winner will acquire one of the nation's premier defence contractors, a major manufacturer of satellite systems and one of the most highly regarded advanced electronics groups in the U.S.

Last year, Hughes Aircraft had sales of around \$4.9bn, roughly the same as in 1983, ranking it as the 9th largest defence contractor. Revenues would have been considerably higher had it not been for the uncharacteristic embarrassment to Hughes of having the Pentagon temporarily halt acceptance of some missile systems from the group's Tucson, Arizona plant, after a series of disclosures about poor quality controls and faults in the weapons systems. Hughes also, voluntarily, suspended shipment of a radar system it manufactures for the F-14, F-15 and F-18 jet fighters.

The "missile crisis," which involved the Air Force's Maverick missile, the Navy's Phoenix missile and the Army's Tow missile, was a short-lived hiccup for Hughes which, despite last year's flat sales saw new orders increase by 28 per cent to \$6bn, and its year-end order backlog grow by almost 9 per cent to just under \$12bn.

There are, however, several specific features of Hughes' business operations which make the company particularly attractive to a potential buyer. Its six divisions, each with more than \$600m a year in sales, and designed to be complementary to each other, manufacture a wide range of missile systems, radars, communications satellites and laser weaponry and are involved in President Reagan's strategic defence initiative (Star Wars).

Among the group's innovations is the Space Shuttle's mechanical arm which hurls satellite's out of the space vehicle's cargo bay doors Frisbee-style.

This broad spread of business makes Hughes Aircraft considerably less vulnerable to defence programme spending cuts than some of its rivals. Although the company derives around 80 per cent of its revenues from military contracts, these revenues are spread between 4,000 contracts, 1,500 programmes and 12,000 products and services.

No single project accounts for more than 6 per cent of Hughes' total sales, and the group's ten largest projects together total less than 40 per cent.

Such diversity within the high-tech sector has also helped Hughes Aircraft maintain consistently high earnings. Although these are not made public, Wall Street believes the group earned around \$250m net last year—despite the missile problems—and that its profit margins exceed the 4 per cent of sales which are typical of the aerospace sector.

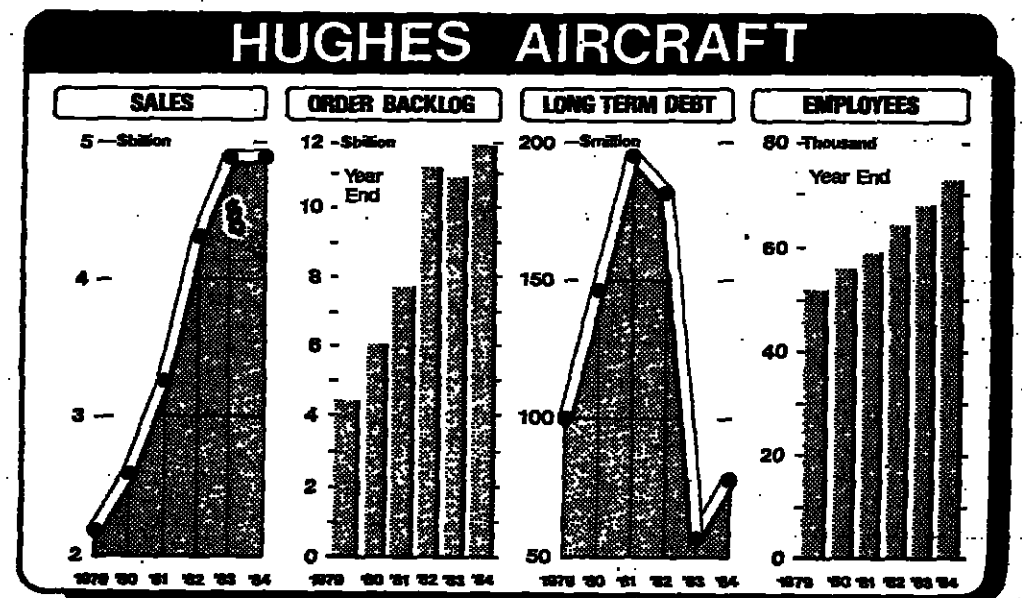
Hughes Aircraft has also been a big spender on capital equipment. Last year, its capital spending totalled over \$430m, more than 30 per cent up on the previous year, and company research and development spending is in excess of \$250m a year.

By ploughing previous years' profits back into its business while throwing off relatively miserly sums to its charitable parent in the form of dividends (\$80m last year compared with \$53m in 1983), Hughes Aircraft has maintained a strong balance sheet. Long term debt totals \$78.1m, or about 15 per cent of its estimated \$520m in equity.

Last but not least, Hughes has a reputation as being a well managed and innovative company stacked out with graduate scientists under the leadership of Mr Allen Puckett, Hughes Aircraft's 65-year-old chairman. One third of its 73,800 employees are engineers.

For them one thing seems certain. After over 30 years shielded from the glare of publicity under the secretive Hughes umbrella, life will be different as part of a public company. Even if none of the bids matches up to price expectations, the institute is expected to turn Hughes Aircraft into a public company through a public share offering. The institute has ruled out the piecemeal break-up of the company.

The sale may also resolve another oddity of the Howard Hughes legacy—the irony of military weapons sales supporting medical research. In the process, medical research in the U.S. could receive a major boost and the cash generated by the sale will lift the Hughes Medical Institute into the ranks of other major charitable foundations, like the Ford Foundation which has an endowment of \$3.5bn.



Stores sector lifts Sears above forecasts

BY FRANK KANE

DESPITE A downturn of £5.8m in Sears Holdings' U.S. footwear operations, the group produced better than expected pre-tax profits for the 1984/85 year with a record result of £175.2m. This was some £5m more than most market forecasts, and £16.1m up on last year.

Sears was able to offset the U.S. profit slip with a strong performance from its stores division, which added £10.4m to the trading result. Most of this came from the departmental stores sub-group, which includes the Selfridges and Lewis's outlets, and which improved its trading performance by £7.4m to £26.1m.

Group turnover topped the £2bn mark for the first time, with trading profits ahead from £154.6m to £167.5m. Trading margins were maintained at around the 8.3 per cent level.

Mr Geoffrey Maitland-Smith, the chairman and chief executive, said yesterday that he expected no real upturn in the U.S. until the second half of the current year. In common with most retailers there, he said, Sears suffered from the depressed consumer market, resulting from the overstocking that occurred last year.

He described current trading in the group's stores division as "very good indeed," with Lewis's in particular benefiting from the buoyant tourist trade in London and enjoying the gains from the re-vamping of recent years. Jewellery was having an especially good period.

Mr Maitland-Smith calculated that the miners' strike cost the company some £2m to £3m over the year in lost revenue.

On the Foster Brothers Clothing acquisition last month, which takes Sears into the multiple retailing of men's clothes for the first time, he was unable to quantify the potential return in the current year, but gave some details of his plans for the future.

Foster's loss-making Peter Richards chain of womenswear outlets is to be split between Sears' Wallis and Miss Selfridge shops, and some would be refurbished. Foster's retail carpets division will be sold.

Overall, the chairman indicated that he would be looking for a 10 per cent rise in taxable profits for the current year, assuming a rate of inflation of around 5 per cent.

Mr Geoffrey Maitland Smith

The directors are to recommend a final dividend of 2.2p net per share, up from 1.8p, which lifts the total by 20 per cent to 3p. This is well covered by earnings per share stated at 8.1p (7.1p), and after the total distribution of £40.4m against £33.6m the group is able to transfer £88.9m to reserves, an increase of £6.9m.

An analysis of the trading result shows that overall the footwear division was static, with the U.S. profit decline counterbalanced by an identical rise in Europe for an unchanged return of £84.8m. Footwear sales came to £763.8m (£671.9m), with the U.S. side contributing £186.3m (£150.4m).

Most parts of the stores division showed profit rises, with departmental stores improving from £18.7m to £26.1m on turnover ahead by £22.5m at £302.9m. Turnover and trading profits of the rest of the sector were: multiple fashion and sports goods £117.6m (£101.1m) and £12.5m (£10.1m) respectively; jewellery £56.1m (£53.4m) and £3m (£1.1m); other stores activities—mainly the Miss Erika operation in the U.S.—improved turnover to £30.9m (£28.7m) but saw trading profits slip from £5.2m to £3.9m.

Inter-group concessions accounted for £32.4m (£27.8m) of sales.

The motor vehicle sales and service division was relatively static following the sale of the Silcock and Colling offshoot last August. This added £18.8m (£31.8m) to sales and turned in an unchanged trading profit of £1.2m. Sales and services' continuing operations improved profits slightly from £6.2m to £6.8m on turnover £26.6m up at £220.9m.

Sears' licensed betting offices—it controls the William Hill Organization—made £11.4m (£11m) at the trading level on turnover up from £429.2m to £479.1m.

In the property development operations, housebuilding and construction turnover improved from £26.2m to £28.9m, but profits fell from £9.1m to £8m. Rental income provided profits of £7.6m (£6.3m) on sales up from £7.6m to £9.3m.

In engineering, profits improved by £0.9m to £2.2m while turnover fell from £43.8m to £25.2m.

Of the group's related companies, Asprey the jeweller added £1.6m (£1.3m) to sales, while CIT turned over £2m (£1.2m).

The tax charge came to £65.1m against £62.7m, to leave net profits at £110.1m (£96.4m), with minorities unchanged at £0.6m.

See Lex

Debenhams 'not worth £450m' says Burton

By Lionel Barber

MR RALPH HALPERN, chairman of the Burton menswear group, yesterday dashed speculators' hopes that he was about to launch a bid for Debenhams, Britain's second largest stores group.

Mr Halpern said Burton had "taken a look at Debenhams" but he added: "We are not convinced that Debenhams is worth its present market valuation of around £450m."

His statement appears to have been triggered by weekend comments by Mr Robert Thornton, Debenham's chairman, that the group intended to fight off any hostile take over bid through a management buy-out costing more than £600m.

"We were interested in press reports that the chairman of Debenhams would himself consider a management-led offer for his company. I can say with emphasis that Burton would not under present circumstances be a bidder for Debenhams at the sort of prices attributed to Mr Thornton in the press," said Mr Halpern.

Debenhams' share price plummeted 28p after Mr Halpern's Stock Exchange statement but recovered slightly, closing last night at 307p, down 21p on the day. Burton shares closed at 471p, up 14p on the day.

However, Debenhams countered by welcoming the announcement, adding that its market capitalisation was more than justified by recent record results and prospects.

In the past six weeks, Debenhams' shares have risen 55p on the back of speculation about a bid from either Burton, Habitat-Mothercare, or Harris Queensway, all major retailing groups.

Debenhams and its merchant bank advisers, Kleinwort Benson, have been considering a management buy-out, backed by UK and U.S. investors, for at least nine months, according to sources close to the company.

As Mr Thornton said in an interview on Channel Four last Sunday: "A year ago we took the view that 1985 would be the most difficult year to avoid a takeover because of the success (of our business)."

Mr Thornton's comments helped to push the share price up 11p on Monday, though they came just days after the group revealed a 24 per cent rise in pre-tax profits to £41m, in the year ended last January, on turnover of £723m.

IBM dealer heads for market with £85m price tag

BY STEFAN WAGSTYL

ONE OF the UK's largest computer leasing companies, IBL is coming to the stock market at the end of the month, with a market value of about £85m.

Barclays Merchant Bank is seeking a listing for the company with a fixed price offer for the sale of about 25 per cent of the equity.

IBL will be second only to Atlantic Computers by market capitalisation among quoted UK computer leasing companies, larger than Comcap, Dataserv and United Leasing.

Like its rivals, IBL makes most of its money from the financing and distribution of IBM mainframe computers and peripherals, both new and second-hand.

The company was formed in 1977 by a team of executives from the European leasing subsidiaries of the U.S. conglomerate, Tiger International. IBL says its particular strength lies in its development of international leasing, especially in continental Europe. Britain accounts for only about one third of turnover.

Turnover has grown rapidly from £14.4m in 1980 to £174.5m in the year to last December. Results improved steadily from a loss of £392,000 to a profit of £3.2m in 1983, when the group was building up its network of offices in 15 countries including the U.S. Last year profits leapt ahead to more than £7m, pre-tax, as the company began to reap the rewards of this investment.

IBL sees its 1984 expansion continuing into 1985, with a substantial increase in turnover already recorded for the first three months. Its customers are placing orders for a new range of central processing computers, announced recently by IBM.

The company says it is coming to the market to raise funds for further expansion, particularly in the U.S. The group's co-founders, Mr Philip Coussens, the 40-year-old chairman and managing director, and Mr John Henderson, the deputy managing director, also aged 40, are both selling a part of their stake. They will see their holding in the company fall from 100 per cent to a little more than 50 per cent.

Mr Coussens said yesterday that the company's success depended on creating a strong base of customers in several countries. Computers leased new to one client could then be moved on to another when the original customer replaced the equipment.

The second-hand business accounted for a greater part of profits than leasing new machines, he added.

There were marked differences in market conditions in different countries. Customers in the Netherlands and in Sweden were keen on new equipment, while in France there was strong demand for second-hand as well as new computers, said Mr Coussens.

IBL is based in Virginia Water, Surrey, and employs 162 people.

Trading in BAe options begins

By Stefan Wagstyl

The Stock Exchange is opening a market in options today in British Aerospace shares, which are trading heavily in the wake of the combined Government and company offer for sale.

The Stock Exchange said it confidently anticipated that investors would be as interested in BAe options as they were in British Telecom.

BAe shares closed 3p down at 418p last night, following heavy trading in which some investors who bought shares at 375p in the offer for sale took their profits and others added to their portfolios.

Meanwhile, at the company's annual meeting yesterday Sir Austin Pearce, the chairman, described the offer for sale (in which the Government sold its remaining stake in the company and BAe raised new funds) as "a great success."

The Government said last night that the total fees and commissions paid to underwriters, brokers to the offer and institutional investors who accepted shares in a placing carried out in advance of the general offer for sale, amounted to £7.57m, including VAT.

In addition, Lazard Brothers, the Government's financial advisers, will receive a fee, and commissions of 1¼ per cent will be paid to all brokers and licensed dealers on shares sold to the public.

The Government estimated its total costs would be about £10m, with a further £8m borne by BAe.

Land Securities rises 14% to £96m

HIGHER RENTAL and interest income helped push pre-tax profits of Land Securities to £95.6m for the year to end-March 1985, compared with £84m—a 14 per cent increase.

Total income for this property developer and manager, rose from £137.7m to £148.4m, and the pre-tax figure was after property outgoings and administration expenses of £33.5m against £34m. While interest payable was little changed at £19.3m (£19.7m), net rents and interest received increased by £11.2m to £114.9m.

Total dividend payout for the year is lifted from an adjusted 7.267p to 8.15p with a final 5.5p (4.91p) proposed. Stated net earnings per £1 share are shown as 11.72p (10.23p) basic.

The net asset value per share at end-March 1985 was 401p per share, compared with 377p a year earlier. This is lower than expected, and the company's shares fell 14p to 297p.

The tax charge was slightly higher at £36.6m (£33.3m).

The directors say the valuation at end-March 1985 resulted in a value of £2.34bn being placed on the group's portfolio, exceeding the valuation at end-1984 by £147.3m.

During the period expenditure on properties amounted to £69.4m and the aggregate book value of properties sold was £24.9m. Taking these factors into account the surplus on revaluation was £102.8m.

Group net assets at March 31 amounted to £2.02bn on which basis the net asset value per share is calculated.

The directors said in their report last year that over 1m sq ft of air-conditioned office space in the City, West End and Victoria was being redeveloped or refurbished. By the end of March 1985, 912,000 sq ft of this space had been completed or virtually completed, with most of it let or the conditions for letting agreed. The balance is not due for completion until later this year or next year.

At end-March group short term funds amounted to £25.1m and agreed realisations of property, for which contracts had not yet been exchanged, aggregated £9.4m. At that date capital commitments, including expenditure phased over periods of up to two years to complete developments, totalled £46.1m.

Bank facilities available to the group have been increased to £50m.

See Lex

Recount follows Energy victory

BY ALEXANDER NICOLL

THE hotly contested reverse takeover bid for Energy Services and Electronics by Shell company Peek Holdings failed yesterday in a very close-run decision.

Peek, which was acting with two businessmen who would have injected £6m into the combined group and assumed its management, won acceptances from holders of 48.9 per cent of Energy Services, an electronic equipment rental and sales group.

Lloyds Bank, charged with receiving acceptances, was conducting a recount last night. It was not expected to produce a different result, Peek said that unless a further announcement is made before the opening of trading today, the offer has lapsed.

In late business, Energy Services shares slumped to 90p, down 5p on the day, after rising as high as 106p as the offer drew to a close. Shares in Peek fell to 20½p, down 6½p, after rising as high as 31p during the day. Peek was offering seven of its shares for two Energy Services.

Peek, advised by Hambros Bank, was offering seven of its shares for two Energy Services, and success would have given its existing shareholders just 5 per cent of a combined group with the two businessmen, Mr Julian Askin and Mr Hugo Biermann, holding 17 per cent. Current Energy Services holders would have continued to hold the remainder.

Energy Services, advised by J. Henry Schroder Wagg, contended that profits were increasing and that a change in management was unnecessary.

The group's loss-making subsidiary, Neve Audio, which makes sound mixing equipment, was now receiving orders for newly-developed equipment and could be sold "for full value," it said.

The bidders argued that Energy Services lacked direction and that the main profitable subsidiary, Livingston Hire—of which Mr Askin was once managing director—could be developed beyond the existing management's plans.

Sniping between the two sides continued until the last moment yesterday, with Energy Services denying what it said were suggestions by Peek that Mr Patrick Robson, managing director of Livingston, would work under new Peek management.

Pearson offshoot in £20m deal with Thomson

Pearson yesterday disclosed that its publishing subsidiary, Penguin, has paid £20.7m for the bulk of International Thomson Organisation's UK trade book publishing interests.

These include the imprints, Michael Joseph, Hamish Hamilton, Sphere Books, Rainbird Publishing Group, TBL Book Service but exclude Janes's publishing.

Pearson has used a vendor placing of 5.79m shares with institutions to pay for the deal which it says will strengthen and protect copyrights within the Penguin Group.

Pearson, which owns the Financial Times, said that the purchased business produced pre-tax profits last year of £0.6m (before certain exceptional costs) on turnover of around £28m. Net assets are estimated at £14.6m.

Phoenix chairman to fight 'back door' takeover plan

BY MARTIN DICKSON

Phoenix Timber Group said yesterday that an attempt was being made to gain control of the company through a boardroom shake-up but Mr Dennis Cooke, the chairman, made clear he would fight the plan.

The Essex-based timber importer and processor said it had received a requisition to hold an extraordinary general meeting at which resolutions would be proposed to appoint to the board Mr David Edelman, Mr Geoffrey Hoffman and Mr Michael Teacher. The same resolution would also remove any additional directors appointed between the date of the requisition and the EGM.

It said the requisitionists include Mr Michael Hermann, a director of Phoenix, who speaks for 24.24 per cent of the company's shares, mainly through a stake held non-beneficially; and a concert party consisting of Equity and Share Co (London), which holds 10.1 per cent of ordinary shares, and a Spanish company, Solarosa, controlling a further 1.3 per cent.

Mr Edelman and Mr Hoffman are believed to be associated with Equity and Share.

Phoenix said that if the resolutions were to be legally implemented, the concert party and Mr Hermann would control the board.

It added that the company's three directors other than Mr Hermann were considering the proposals. But Mr Cooke later made clear that he would fight the plan. "Where's the offer to shareholders?" he asked. "You cannot gain control of a company by the back door."

Phoenix is believed to have approached the Take-over Panel on the issue. The company's shares closed last night at 136p, down 4p on the day.

Phoenix reported profits of £936,000 in the year to March 1984 following three years of losses though first half profits in the 1984-85 year fell by £100,000 to £427,000.

UK COMPANY NEWS

Change in policy to follow Scottish trust's link-up

BY ALEXANDER NICOLL

THE LAST investment trust to be managed from a solicitor's office is to join a larger management group in a move which highlights the continuing shake-up in the investment trust sector.

Scottish Northern Investment Trust, which has total assets of £178m, has been managed since its foundation in 1908 by Paull & Williamsons, an Aberdeen firm of solicitors. Yesterday the trust announced plans for its investment managers to join Stanecastle Assets, a fast-growing Edinburgh concern run by Mr Willie Forsyth.

Shareholders will be asked to approve a management switch to Stanecastle and a change in investment policy in order to emphasise capital instead of income growth and to increase substantially the trust's exposure to foreign stock markets, especially outside the U.S.

The trust plans an issue of warrants on the basis of one for every five ordinary shares. Each warrant would entitle the holder to buy one ordinary shares.

Once the proposals are approved, Scottish Northern plans to attract more U.S. investors, following recent signs of growing interest from across the Atlantic in UK investment trusts. It may consider a U.S. office or a link with a U.S. investment management concern.

Mr Fred Dalgarno, investment manager of Scottish Northern, said the management switch has been forced by a need to expand the management team "to take account of the changing needs of specialist investment management."

It was difficult, he said, to attract investment managers both to a legal partnership and to Aberdeen. Scottish Northern, having decided that the best way forward was to seek partners, held discussions with several potential managers before deciding on Stanecastle. The trust's advisers are stockbrokers Laing & Cruickshank.

Mr Dalgarno and Mr Ian Massie, assistant investment manager, are leaving Paull & Williamsons to join Stanecastle, which currently has a team of three fund managers. Mr Joe Yeoman will remain chairman of Scottish Northern, and will retire from Paull & Williamsons, which will remain as secretary and legal adviser to the trust.

The move will also mark a substantial expansion for Stanecastle, of which funds under management now total some £50m, including Edinburgh Financial Trust and Shires Investment. The group has been built up by Mr Forsyth and Mr Ian Smith since the former's departure from Edinburgh Investment Trust in 1982.

The new investment policy is intended to appeal to institutional and U.S. investors. The trust will aim to invest up to 75 per cent of the quoted section of the portfolio—which accounts for 87½ per cent of the total—in non-UK markets, especially in the Far East, while at least maintaining the current dividend.

Scottish Northern's shares responded to the news with a 2p fall to 129p, about 24 per cent below net asset value.

Reuters quiet on UPI talks

By Lionel Barber

Reuters yesterday declined to comment on a report that it was about to make a bid for the American news agency UPI, which has filed for protection from its creditors in a Federal bankruptcy court.

The report from UPI quoted unidentified company sources saying that several Reuters executives were to meet UPI's president, Mr Ray Wechsler, and the UPI chairman, Mr Luis Nogales, to propose a purchase plan today.

Reuters said: "We are not making any kind of comment on these reports."

Keep controls 32% of Adams and extends offer

BY LIONEL BARBER

Keep Trust yesterday announced that it held almost 32 per cent of ordinary shares in Adams & Gibbon, the Newcastle-upon-Tyne-based Vauxhall Opel main dealer and was extending its £4.4m cash offer.

Keep said it had received acceptances from shareholders representing almost 20 per cent of the equity, including the 14.39 per cent stake held by Grovebell, the motor distributors.

These acceptances, added to Keep's 11.89 per cent holding in Adams, mean that Keep now controls 31.71 per cent of the company. Yesterday was the first closing date for Keep's offer.

Keep, a holding company with interests in motor trading, engineering and investments, is offering 240p per share in Adams.

Last night Adams shares closed unchanged at 260p, while Keep shares also were unchanged on the day at 17½p.

Keep's advisers, Charterhouse Japhet, said that Keep had not purchased any ordinary or preference shares in Adams during the offer period which has now been extended to Tuesday, May 28.

Last week, Adams & Gibbons said the Keep bid was much less than a revised net asset valuation of 383p per share, carried out by Storey Sons & Parker, the chartered surveyors.

Last month, Keep produced a 48 per cent rise in pre-tax profits from £1.15m to £1.71m, on turnover of £56.5m.

Muirhead drops fight against RHP bid

BY MARTIN DICKSON

SHARES IN Muirhead, the manufacturer of facsimile transmission systems and electrical components, yesterday fell 32p on the day, closing at 162p, following the company's announcement that it was abandoning its fight against a £15m takeover bid from RHP Group and was recommending the offer to shareholders.

In a statement, issued after the market closed on Monday night, Muirhead said that a review of its trading position had revealed continuing delays in the placement of UK and overseas defence contracts. It had also led to increasing concern about the company's prospects for the present financial year.

Mr David Ewart, chairman of RHP, said yesterday that he was "delighted Muirhead have come across." He thought the company could fit well with RHP and its management style and profits should quickly be restored.

Muirhead's initial response to the bid had been to reject it as "wholly inadequate."

RHP is offering eight of its shares for every five of Muirhead's. On the basis of RHP's closing price last night of 105p, down 1p, that values Muirhead shares at 168p. There is a 164.8p cash alternative.

COMPANY NEWS IN BRIEF

Anglo Nordic Holdings has disposed of its Braby Economic Appliances business and has purchased H.M.L. (Engineering). Braby has been sold at book value of £707,300 to a private purchaser, Mr G. F. Taylor. H.M.L. has been acquired for a total of £191,000.

Anglo Nordic will now be one of the largest manufacturers of aircraft ground support equipment in the world.

Net losses of H.M.L. (after deducting all charges except tax and excluding extraordinary items) attributable to the business acquired for the year to October 31 1984, were £176,000. Turnover was £5.94m.

Anglo Nordic acquired the share capital of H.M.L. for £191,000, as compared with the net tangible assets of H.M.L. at February 28 1985 of £529,000.

* * *

To simplify Cluff Oil's capital structure, a reorganisation is proposed whereby the shareholders will exchange their shares for those in a new holding company Cluff Oil Holdings.

For every existing ordinary share and B share in Cluff holders will receive one new ordinary share in Holdings.

In exchange for every warrant to subscribe for one B ordinary in Cluff holders will receive one varied warrant entitling the holder upon subscription to one new share in the new company.

* * *

Caparo Properties has returned to the dividend lists with a final of 0.5p for 1984. Pre-tax profits are £188,000 (£157,000), but tax of £65,000 (£10,000) and reorganisation costs of £31,000 (£106,000) leave attributable profit of £92,000 (£41,000).

Results are in line with the board's expectations. Profits from the present development programmes are expected this year, which is said to look promising.

* * *

Pre-tax profits at Frederick Cooper, Wolverhampton-based steel processor, were £2,000 lower at £225,000 in the half-year to January 31, 1985, on group turnover up from £9.55m to £10.68m.

The interim dividend is raised from 0.53p to 0.55p. Stated earnings per 10p share were lower at 2.65p against 2.69p.

* * *

Acceptances of Trafalgar House's £37m offer for Haden have been received for 19,045 ordinary shares, or 0.12 per cent, and the offer has been extended until May 28. Trafalgar is considering its response to a rival £55m management buyout plan for Haden.

* * *

The Government has given the go-ahead for Britain's biggest-ever retail merger between Associated Dairies, the Asda superstores group, and furniture company MFI. Trade Secretary Mr Norman Tebbit has decided the £600m bid for MFI does not have to be cleared by the Monopolies Commission.

By 3 pm on May 14, the recommended offer had been accepted by holders of 140.89m MFI ordinary (71.26 per cent). Associated Dairies now owns or has received acceptances for a total of 16.64m MFI ordinary (81.26 per cent). The offer has been declared unconditional.

* * *

Seccombe Marshall and Campion, the discount house, made a profit after tax of £170,155 (£485,973) in the year to end-April 1985, during which it was taken over by Citicorp International. Following takeover expenses of £80,000 and an interim dividend payment totalling £96,000, retained profits at the year-end were £579,613.

* * *

The interest rate for this week's issue of local authority bonds is 12⅛ per cent, unchanged from last week, and compares with 10¼ per cent a year ago. The bonds are issued at par and are redeemable on May 21, 1986. A full list of issues will be published in tomorrow's edition.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Caparo Props	0.5	July 5	Nil	0.5	Nil
Land Securities	5.55	—	4.91	8.15	7.27*
Frederick Cooper ...int	0.55	July 5	0.53	—	1.77
Emray	0.6	—	0.5	0.9	0.75
Fulcrum Invest Tst int	2.2	Oct 31	2.2	—	5.25
Sears Hldgs	2.2	—	1.8	3	2.5
Seccombe Marshall	Nil	—	14	6	20
Spear & Jackson	4	—	3.5	6	5.25
Stylo	4.5	—	2.25*	4.5	2.25*

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Stylo ahead of forecast with profits at £2.4m

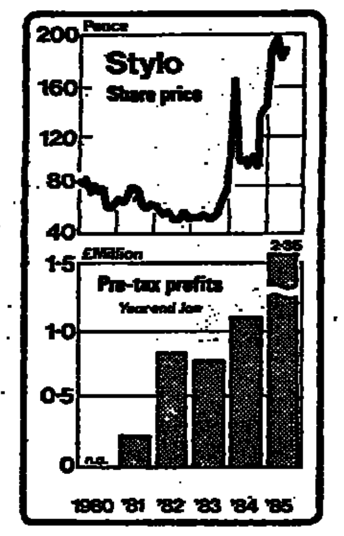
Stylo, which in February fought off a partial takeover bid from British Land, has announced more than doubled pre-tax profits for the 53 weeks to February 2 1985, of £2.35m against £1.1m previously.

This is a slightly better result than the £2.25m forecast by Mr Arnold Ziff, the chairman, in his January letter to shareholders recommending a rejection of the British Land tender.

For the first half, as is usual for this footwear retailer and wholesaler, losses of £549,000 were incurred. At that stage these had been trimmed from the previous £583,000.

The single final dividend is effectively increased to 4.5p net compared with an adjusted 2.25p. Stated net earnings per 25p limited voting share are shown higher at 8.86p (4.29p).

On turnover ahead by £9.94m at £58.75m, a trading profit of



£3.31m (£1.91m) was generated. The pre-tax result was struck after interest payments of £1.28m (£817,000), but included other income of £318,000 (nil).

Tax took more at £514,000 against £201,000, and there was an extraordinary debit of £100,000 (nil).

The directors consider Stylo to be a close company for tax purposes following the purchase by the Ziff family and associates in February of a further block of limited voting shares. The Ziff family also hold management shares accounting for 44 per cent of votes.

● comment

Had the market paid no attention to Stylo's encouraging leap in profits it wouldn't have been surprising: shareholders are understandably more concerned about whether British Land, whose bid failed earlier this year, continues to buy shares in the market to increase its 25 per cent stake. But to send the shares down 3p to 190p was a churlish way to react to the first piece of concrete evidence that Mr Arnold Ziff is at last set on improving the company's shabby profit record. Most of the advance in 1984 came from the retail group, and margins improved in response to recent upgrading of stores and product ranges. The bulk of the benefits have still to be felt; and in the current year, another £2m will be spent on refurbishment, while a further boost should come through from the successful introduction last year of the Electronic Point of Sale system. Even if profits rise to £3.2m this year, a p/e of over 16 on a 30 per cent tax charge, is over-generous on earnings grounds alone. Of course with British Land still lurking in the wings, earnings aren't the only consideration. Ziff maintains that any bid below asset value (253p per share at year end) will not succeed.

BOARD MEETINGS

TODAY

Interims:—Baggeridge Brick, Bush Radio, General Stockholders Investment Trust, Grand Metropolitan, NSS Newsagents, Stockholders Investment Trust.

Finals:—Duport, Hartwells, London and Northern, North Sea and General Oil Investments, Smith St. Aubyn, Tern Group, Whitbread Investments, Witan Investment.

GA first quarter underwriting losses increase to £85m

THE IMPACT of severe winter weather worldwide resulted in the General Accident Group, one of Britain's largest motor insurers, recording a pre-tax loss of £18m in the first quarter after recording underwriting losses of £84.6m.

In the first quarter of 1984, GA recorded a pre-tax loss of £16.5m after underwriting losses of £80.3m.

Investment income rose by 3.3 per cent in sterling terms from £62.8m to £64.9m, with an underlying growth of 7.9 per cent excluding currency fluctuations. Indeed currency changes had the effect of increasing both underwriting losses and investment income by £4m, leaving the pre-tax loss unchanged.

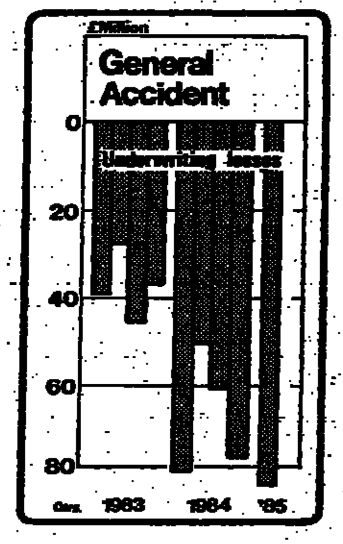
A tax credit of £9.4m against a credit of £7.8m last year resulted in a net loss to shareholders of £9.3m compared with a loss of £9m for the first quarter last year.

Net premiums on general insurance business rose by 6.4 per cent from £411.8m to £438.4m, with an underlying increase after allowing for currency fluctuations of 11.5 per cent.

Net asset value rose from 828p per share at the end of 1984 to 840p at the end of the first quarter, with the solvency margin declining slightly from 82.4 per cent to 81.9 per cent.

The impact of bad weather though sever in the UK over the period was somewhat less than the impact at the beginning of 1984—a reverse situation for the experience in the U.S., Canada and the rest of the world where weather losses are even higher this year.

Nevertheless, underwriting losses in the UK were marginally lower at £30.9m against £31.1m in the first quarter last year on premium income up from £125.5m to £132.6m. Losses on the home-owners account dropped from £12.6m to £10.3m and on com-



mercial property from £12.8m to £10.4m — the latter account benefiting from substantial premium increases but hit by an unusually high number of large fire claims.

It was the substantial motor account that caused problems in the UK in the first quarter with the upsurge in claim numbers seen at the end of 1984 continuing into 1985. Underwriting losses rose from £1.9m to £7.7m.

In the U.S. net written premiums rose from US$213.6m to US$240.3m—the increase coming solely from premium rises. The operating ratio for the quarter was 119.75 compared with 119.53 for the first quarter last year.

Elsewhere, there were aggregate underwriting losses of £16.2m compared with £13.4m, with some improvement in the EEC countries being swallowed up by sharply increased losses in Canada, Australia and New Zealand.

MINING NEWS

Amcoal's recovery gathers strength

BY KENNETH MARSTON, MINING EDITOR

THE RECOVERY in earnings of the Anglo American Corporation group's Anglo American Coal Corporation (Amcoal) gathered strength in the second half of the year to March 31. Net profits of the major South African coal producer advanced by 42 per cent to R155.2m (£63m) from R109.2m in 1983-84.

The latest earnings equal 634.9 cents per share. Amcoal is raising its final dividend to 132.5 cents (53.8p), making a total for the year of 195 cents, against 145 cents. At last night's price of £17¼, cum-dividend, this puts the shares on a 5 per cent yield basis.

● comment

Amcoal's strong performance reflects higher export sales; profits from the new collieries which serve the South African market; and a significant increase in interest received. The other major factor will have been the boost to income of the weak South African rand against the U.S. dollar, in which coal sales are priced. Because of forward sales contracts the company did not benefit to the full in the first half, but there may have been some catching up during the following six months. Guidance as to this year's prospects will be awaited from the chairman in the annual report due next month. In the meantime, Amcoal's earnings seem set for a further increase, although not as much as in the past year which followed a dull patch.

Sudan gold mine confirmed as a commercial viability

AN INDEPENDENT report by geological and mining consultants Mackay and Schnellmann has confirmed the commercial viability of the Gebeit gold mine in the Red Sea Hills area of Sudan.

Owned as to 49 per cent by Greenwich Resources and 51 per cent by the Sudanese Government, it is in a mining area with a history dating back to the pharaohs.

Geological reserves at the higher grade Wadi "A" and "Y" lodes at Gebeit have been assessed at 175,000 tonnes of ore with an expected gold recovery grade of a high 28 grammes per tonne. This is in addition to other, lower grade, reserves and likely extensions to the main lodes.

The consultants estimate that operating costs will equal 4.7g gold per tonne on the basis of a bullion price of $302 per ounce, thus leaving 23.3g to represent gross operating profits.

At present Gebeit is mining at an annual rate of 9,000 tonnes of ore, but this is to be raised to 50,000 tonnes during 1986.

The agreement with the Sudanese Government provides for Greenwich to recover all costs incurred—about $3.75m—in bringing the mine to production before any allocation of profits is made. They will be free of Sudanese tax for five years.

UK COMPANY NEWS

Markheath 1-for-1 rights to raise £7m

By Stefan Wagstyl

Markheath Securities, the North London property company headed by Mr Paul Bobroff, chairman of the company which owns Tottenham Hotspur Football Club, yesterday announced a heavy loss for 1984 and a one-for-one rights issue.

The company suffered a £2.4m pre-tax loss, including a £1.65m exceptional loss on a major office development in Stratford, East London. In 1983, pre-tax profits were £2.1m.

The rights issue, underwritten by merchant bank Robert Fleming, is expected to raise £7.3m which will be used to cut group borrowings of £11.3m and fund the company's plans to set up a portfolio of investment properties.

The new shares are offered at 50p each, against a stock market price for existing shares of 58p, down 12p yesterday.

Mr Bobroff said that while the losses over the Stratford development had increased the amount of money the company was raising from shareholders, a rights issue would have been launched in any case to finance the planned investment portfolio. Hitherto, the company has been a property developer, and not held investment properties of its own.

The Stratford losses occurred because the company has been unable to let a building completed in early 1984. It has now sold the freehold to an institutional investor, but taken back a 25 year lease on the property. It is still looking for tenants but believes that satisfactory letting arrangemens can be reached and that no further provision will be needed.

Mr Bobroff said that by going into East London, the North London-based company had gone beyond its traditional area and made a mistake.

The company is paying a 5.2p final dividend for 1984 making an unchanged total payout of 9.75p.

Markheath is forecasting profits of not less than £1.4m pre-tax for the 15 months to the end of March 1986, including £300,000 from rental income. It intends to pay a dividend of 2.68p on the enlarged share capital.

Markheath plans developments worth a total of £24m over the next two years.

Mr Bobroff and his board are taking up their rights issue entitlement only in part so that their stake in the company, which was floated on the USM in 1981 and was listed in 1983, will fall from about 50 per cent to under 40 per cent.

Spear & Jackson recovery setback

A DOWNTURN in the second half of 1984 has limited the extent of Spear and Jackson's recovery from the depressed results of the early 80s, despite an increase of nearly 12 per cent in the year-on-year taxable result.

Profits fell from £834,000 to £628,000 in the second term, leaving the group—a Sheffield-based manufacturer of saws and hand, garden and engineering tools—with £1.36m for the full year against £1.22m. Mr Stephen de Bartolome, the chairman, says that the outcome reflects the additional costs arising from new products introductions, the adverse effects of the miners' strike, and a distinct slackening in activity at the North American subsidiary in the second half.

He adds, however, that the current year has started strongly, except in North America where the lumber industry is still depressed, and he regards prospects as "encouraging."

The final dividend is to be raised from 3.5p to 4p for a total of 6p for the year (5.25p). Earnings per share are stated at 15.1p against 13.9p.

Turnover rose by £4.77m to £36.34m producing operating profits of £1.76m against £1.66m. The chairman believes that the foundations have been laid for the group to show further advances in profitability in years to come.

An extraordinary item took £198,000 (nil), representing the reorganisation and closure costs associated with the discontinuation of unprofitable activities. After this and tax at £488,000 (£418,000) attributable profits fell from £743,000 to £634,000.

Commenting on the years' trading performance, the chairman said that in Spear and Jackson (Tools), much of the preparatory work has taken place within the company. This reduced the 1984 profits, which were already adversely affected by the exceptionally dry weather during the spring gardening season.

The board believes that this will prove to be only a temporary setback and that the tools company is now poised for profitable growth.

In the first half of the year a national TV advertising campaign was launched to establish domestic fertiliser products, and in particular lawn repair, as an effective force.

Costs were high, and represent an investment in the future, says the chairman.

The company plans to add further new products to the range and maintain the momentum with continued advertising.

In the second half of the year a new marketing strategy for garden tools was implemented. The chairman says that this strategy appears to have been successful, but has also had the effect of reducing despatches in the last quarter of 1984 and moving the increased volume into the first quarter of 1985.

Taking the two quarters together reveals substantial sales volume increases achieved over the period as a whole. This has adversely affected 1984 profits but is expected that the shortfall will be more than made good in 1985.

Stephen de Bartolome

One of the main developments in 1984 was the acquisition of the saws division of Firth Brown Tools. Mr de Bartolome says that cost savings and the increased volume of the business should significantly enhance profitability in the current year.

The company intends to change its year end from December to March in order to reduce distortion in group profits from a financial year ending in the middle of the main selling season for garden tools. The current year will run for 15 months to March 1986.

● comment

By coming in almost £250,000 below forecast Spear & Jackson appears to have lost a year in performance terms. Analysts' forecasts of £2m pre-tax for the 15 months to the new March 1986 year-end only tend to confirm this. Although the £450,000 launch costs of the group's lawn care fertiliser range could be added back in by the generous, the return on this outlay looks uncertain with the company only forecasting breakeven for the current period. In North America the £1m contribution of 1984 will certainly not be repeated this year as major lumber company customers are embroiled in bitter industrial disputes. In addition the revival of U.S. house building starts has not led to any sustained growth in sales—in fact the first-quarter order book is well down overall in North America. A higher UK contribution to pre-tax profits (net of central costs this was £342,000 last year) will see a sharp drop in the tax rate—at home almost no tax at all will be paid as some of the over £1m in unclaimed allowances are called up. This should see earnings per share growing more quickly than profits and could herald further increases in the dividend. For 1984 the payout rise has taken the group's yield up to 6.1 per cent, a good average for the sector. On an annualised basis the forecasts for 1985 suggest pre-tax profits of £1.75m and a modest multiple of 5.6 (20 per cent tax charge) on 142p. No significant rerating can be expected until words become deeds.

Kennedy Brookes in £9.7m cash call

THE board of Kennedy Brookes proposes to raise approximately £9.65m net by way of an underwritten rights issue of up to £10m 6½ per cent convertible unsecured loan stock 2002 on the basis of £7.826 nominal of stock for every 10 ordinary shares.

The stock when fully converted would result in the issue of up to a further 3,278,689 ordinary shares of the company. The final redemption date of the stock will be December 31 2002.

Kennedy Brookes believes in expanding its hotel interest, and will thus extend Ghyll Manor and is looking to acquire further hotels as and when the opportunity arises.

The board also recognises the importance of frequent refurbishment and modernisation programmes for the company's restaurants and catering operations.

A recent development in the group's activities is the grant of franchises whereby selected third parties are licensed to operate restaurant premises, acquired or refurbished by the group, under one of its established trade names.

To-date, franchises of the Wheeler's and the Cafe des Amis names have been granted, and it is proposed to expand this activity, extending it also to the Mario and Franco name.

The issue will provide the company with the means of pursuing its policies as well as with the ability to take advantage of future investment opportunities.

In the short-term the net proceeds of the issue, estimated at £9.65m, will be applied in reducing the group's borrowings.

'DTI probe hits Emray growth'

BY NIGEL CLARK

EXPANSION PLANS for Emray, the financial services and vehicle distribution group, are being held up by the continuing Department of Trade and Industry investigation into the company's shareholders' register, chairman, Mr Lionel Altman, said yesterday.

He said that the inquiry had depressed the share price and limited the company's optons when considering new aquisitions. Attempts to discover from the DTI when the report will be made had met with no success, he said. The group's 5p shares closed unchanged last night at 17¾p.

Inspectors were appointed under Section 172 of the Companies Act last year following the sale by Taddale, the property investment group, of its 27.6 per cent stake in Emray.

Mr Altman says in the announcement of results for 1984: "During the course of last year your board became aware of certain peculiarities relating to the shareholder's register, which led to doubts as to the beneficial ownership of a significant proportion of the equity.

He added that a number of acquisitions have been assessed but frustrated by the depressed share price.

Mr Altman emphasised that the companies considered are in the group's existing areas of business. That is despite comments made following the annual meeting in July last year.

Mr Murdoch Morrison, one of three new directors elected at the meeting, then said that he would be asking the board to consider buying two companies in the fields of electronics/reprographics and telecommunications.

Despite the problems Emray has reported a record year. Profits for the 1984 year are £801,885, a rise of almost 60 per cent from the previous year's £502,617. This was achieved on turnover up from £16.52m to £21.74m.

Major advances were made in both the company's main areas. The motor division had a record year and financial services contributed more than half the company's profits for the first time.

A final dividend of 0.6p is being paid, making a total of 0.9p (0.75p). Earnings per share are 2.13p (1.62p).

The chairman says that the success of financial services justifies the decision to develop a comprehensive financial division. Operating profits during the year rose to £683,000, an increase of 124 per cent on the previous year. That compares with £25,000 in the early days of the division five years ago.

While expressing caution, Mr Altman says that he would be disappointed if results for the present year did not exceed 1984's record.

USM NEWCOMERS

Holmes & Marchant valued at £12m

By Lucy Kellaway

Marketing consultants Holmes & Marchant is joining the USM via a placing of 500,000 shares at 300p arranged by Lazard Brothers. Of the increased equity 12.5 per cent is being placed to raise £1.3m after expenses, all of which represents new capital for the company. At the placing price Holmes & Marchant is valued at £12m.

The company specialises in "below the line" marketing, which encompasses everything but media advertising, and accounted for about half of the £7bn spent in the UK on marketing last year. Holmes & Marchant offers a range of services in graphic design and sales promotion to clients mainly in the grocery and consumer goods industries.

It hopes to broaden this base to take in a wider range of customers, and in February 1985 a Financial Statements subsidiary was set up to tap the growing market in the design of financial accounts.

In the last two years its 10 largest clients accounted for about half of gross profits; in 1985 is is estimated that no one customer will represent more than 15 per cent.

Holmes & Marchant was incorporated in 1971, and in the year ended September 1984, it made pre-tax profits of £674,000 on sales of £2.6m, after five years of steadily increasing turnover, and four of rising profits.

In the current year the company is forecasting a 39 per cent increase in profits to £940,000, which implies a price earnings multiple of 21 at the placing price (on an estimated 44 per cent tax charge). The forecast yield is 1.7 per cent assuming an annual net dividend of 3.5p a share.

Viewplan to raise £1.5m

Viewplan is coming to the USM via a placing, announced yesterday by Robert Fleming, of 2.5m ordinary shares at 120p a share.

The placing, which represents 23.3 per cent of the enlarged equity, will raise £1.5m new capital for the company, with the remaining 1.1m shares being sold by existing shareholders. At the placing price, the company is capitalised at £12.9m.

Viewplan hires broadcast and non-broadcast equipment in the UK either with or without technical support staff for use in conferences, exhibitions and outside broadcasts. It sells to over 200 customers spanning a range of industries, and including the BBC, Virgin films, Ford and Holiday Inns. No single customer accounts for more than 6 per cent of turnover.

Recently the company set up a training centre at Leeds University to teach video production techniques, and plans shortly to start courses for broadcast engineers.

In February, Viewplan acquired Diagnostic Systems, a specialist software company, whose expertise it will eventually use to develop control systems for its own equipment.

The company was established in 1981, since when it has increased profits from around £25,000 pre-tax to £433,000 in the year to March 1984 on sales of £1.4m. For the year just ended, the company estimates it made profits before tax of £700,000. There is no forecast for the current year.

The new capital will be employed to expand the company's existing non-broadcast operations, to open new hire branches in the UK, and to increase the range of equipment available for hire.

At the placing prices, the shares are valued at 21.8 times estimated 1985 earnings, assuming a 35 per cent tax charge. A net dividend of 1.26p for the year to March 1986 is forecast which gives the shares a yield of 1.3 per cent. Dealings are expected to begin on May 20.

FT COMMERCIAL LAW REPORTS

Stay of judgment contradicts terms of swimming pool sub-contract

TUBEWORKERS LTD v TILBURY CONSTRUCTION LTD

Court of Appeal (Lord Justice Kerr, Lord Justice Dillon and Lord Justice Parker): April 2 1985

WHERE A person obtains judgment for money already payable to him under a building sub-contract, the court will not set aside the contractual terms by staying execution in the absence of special circumstances. Whether circumstances are "special" depends on construction of the particular contract, and if the sub-contract anticipates and provides machinery for counterclaims, the fact that the other party is counter-claiming by arbitration is not a special circumstance justifying a stay.

The Court of Appeal so held when allowing an appeal by plaintiff sub-contractors, Tubeworkers Ltd, from a decision of Sir William Stabb, QC, the senior Official Referee, to stay execution of a judgment obtained by them against the defendant main contractors, Tilbury Construction Ltd. The relevant sub-contract was made on the Federation of Associations of Specialists and Subcontractors (FASS) form, as amended in 1976.

* * *

Clause 11(a) of the FASS form as amended provides: "The contractor shall . . . make application . . . to the architect for certificates of payment . . . for . . . the value of the sub-contract works. (b) Within 14 days of the receipt . . . of any certificate . . . the contractor shall . . . pay to the sub-contractor the total value certified . . ."

Clause 13 A(2): "The contractor shall be entitled to set off . . . the amount of any claim . . . incurred by the contractor by reason of any breach of . . . the sub-contractor, provided: (a) that no set-off relating to delay shall be made unless . . . the certificate of the architect referred to [in clause 8(a)] has been issued . . . (c) the contractor has given to the sub-contractor notice . . . specifying his intention to set off . . ."

Clause 13B (i)(a): "If the sub-contractor . . . does not agree the amount . . . specified in that notice the sub-contractor may (i) give notice of arbitration . . . (ii) request action by an adjudicator."

Clause 8 (a) deals with delays on the part of the sub-contractor and possible extension of time to the head contractor.

*

LORD JUSTICE KERR said that the main contract was for the construction of a swimming pool at Grundy Park. The sub-contract was for the supply and erection of structural steel work.

A dispute arose because the sub-contractors alleged that the main contractors were delaying commencement of the works. The main contractors thereupon applied to the architect for a certificate under clause 8(a) of the sub-contract, dealing with the allegation of delay and asking for an extension of time.

The architect purported to issue a certificate on July 14, 1983, but the main contractor took the view that it was bad. On September 13, before another clause 8(a) certificate had been issued, the architect issued a certificate of payment under clause 11(a). It certified that £54,728 was payable to the sub-contractors by the main contractors.

Under clause 11(b) that sum became contractually payable 14 days later, on October 4.

The architect finally issued a clause 8 (a) certificate in the proper form on November 9. On November 16, on the basis of that certificate, the main contractors put forward a £97,069 counter-claim against the sub-contractors.

On November 21 the sub-contractors issued their writ claiming £54,728 less a 3 per cent retention, and applied for summary judgment under Order 14 of the Rules of the Supreme Court (RSC).

Sir William Stabb gave judgment in their favour. He took the view, however, that if he were satisfied that the main contractor had a good and arguable counterclaim he ought to order a stay of execution.

He *ordered* a stay pending prosecution of the counterclaim.

It was agreed that the counterclaim would have to go to arbitration. Under RSC Order 14 rule 13(2) the court might stay execution "until after the trial of any counterclaim." Since there was not going to be any trial, that could not apply.

Under RSC Order 47 rule 1 (a), if the court were satisfied "that there are special circumstances which render it inexpedient to enforce the judgment or order" it might stay execution.

On its face, that provision gave an unfettered jurisdiction to the court to order a stay if, in its view, there were "special circumstances" which made it "inexpedient" not to do so.

The authorities provided no assistance. The issue was to be determined by reference to the particular provisions of the sub-contract. The essential feature was that the sub-contractors were not only entitled to summary judgment under Order 14 but, above all, on October 4 they became entitled to immediate payment of the sum certified under clause 11 (b).

That did not deprive the court of all jurisdiction to conclude that there might nevertheless be "special circumstances" which would justify a stay. There might be special circumstances if, for instance, due to some *fault or improper conduct* on the sub-contractors' part, the main contractors were unable to invoke and rely on the machinery of clause 13 A. But nothing of the kind was alleged here.

Without any special circumstances the stay had the effect of setting aside the terms of clause 11 (b). The judge had put the sub-contractors in a worse position than they might have been in had the main contractors been able to invoke the machinery of clause 13 A.

In that event the immediate decision as to what was to happen pending arbitration would have gone to an adjudicator under 13 B, and he might have ordered that all or part of the money was to be paid to the sub-contractors. Under the judge's order payment would have to await events in the arbitration.

What the judge had done, in effect, was to replace the contractual machinery with the process of the courts.

Generally speaking, the relevant terms of a contract between the parties must be paramount and take precedence over the court's discretion under Order 47.

In *Northern Regional Health Authority v Crouch [1984] 1 QB 644, 664* Lord Justice Dunn said: "It is not for the court to intervene and replace its own process for the contractual machinery agreed by the parties." At page 667 Lord Justice Browne-Wilkinson said "the court's jurisdiction does not include a right to modify contractual rights."

All that the judge took into consideration in the present case was that the main contractors had a good or arguable counterclaim.

That was incapable of constituting special circumstances in relation to the present form of contract because the very basis of clause 13A was that a counterclaim or set-off was raised against the sub-contractor.

Mr Fernyhough, for the main contractors, submitted that there were special circumstances because the main contractors' inability to rely on clause 13A was not their fault, but the fault of the architect.

How could that possibly matter so long as it was not the sub-contractors' fault? The mere existence of a counterclaim and of the facts whereby the main contractors were unable to rely on the contractual machinery without fault on the part of the sub-contractors, could not constitute "special circumstances" for a stay under Order 47. Such a stay would contradict the terms of the subcontract and substitute the exercise of the court's powers for those of the adjudicator.

The appeal should be allowed.

Lord Justice Dillon and Lord Justice Parker agreed.

For the sub-contractors: John Tackaberry QC and N. S. Baatz (Bragg and Partners, Bristol).

For the main contractors: Richard Fernyhough (Masons).

By Rachel Davies
Barrister

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8DT *Telephone 01-621 1212*

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
145	123	Ass. Brit. Ind. Ord.	145	—	6.6	4.3	8.0	9.6
151	135	Ass. Brit. Ind. CULS	150	—	10.0	6.6	—	—
77	51	Airsprung Group	54	—	6.4	11.9	6.0	7.1
42	26	Armitage & Rhodes	34	—	2.9	8.5	4.2	7.1
146	108	Bardon Hill	146	—	3.4	2.3	14.7	24.5
58	42	Bray Technologies	53	—	3.9	7.4	6.4	7.5
201	163	CCL Ordinary	163xd	—	12.0	7.4	4.0	3.5
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
120	10	Carborundum Ord.	115xs	−1	4.9	4.3	5.7	8.9
88	84	Carborundum 7.5% Pf.	88	—	10.7	12.2	—	—
73	48	Deborah Services	48	−1	6.5	13.5	4.8	7.4
320	182	Frank Horsell	320	—	—	—	12.9	16.8
268	170	Frank Horsell Pr.Ord.87	260	—	9.6	3.7	10.4	13.7
32	25	Frederick Parker	29	—	—	—	—	—
68	33	George Blair	57	—	—	—	3.8	7.7
50	20	Ind. Precision Castings	20	—	2.7	13.5	5.5	5.9
218	184	Isis Group	184	−1	15.0	8.2	7.3	13.2
124	101	Jackson Group	105	—	4.9	4.7	4.9	9.5
285	213	James Burrough	238	—	13.7	5.8	8.4	8.4
93	83	James Burrough 9pc Pf.	89	—	12.9	14.5	—	—
87	71	John Howard and Co.	87xd	—	5.0	5.7	6.9	10.9
225	100	Linguaphone Ord.	224	—	—	—	8.2	8.6
100	93	Linguaphone 10.5pc Pf.	98	—	15.0	15.3	—	—
650	300	Minihouse Holding NV	640xd	—	6.9	1.1	27.9	26.6
120	31	Robert Jenkins	57	+1	5.0	8.8	—	—
60	28	Scruttons "A"	34	—	5.7	16.8	17.9	4.1
92	61	Torday & Carlisle	76	—	—	—	8.2	17.3
444	330	Trevian Holdings	330	—	4.3	1.3	18.8	18.4
30	17	Unilock Holdings	30	—	1.3	4.3	14.6	21.0
100	81	Walter Alexander	100	—	7.5	7.5	9.9	12.0
247	216	W. S. Yeates	225	+1	17.4	7.7	6.4	11.0

Prices and details of services now available on Prestel, page 48146

FT UNIT TRUST INFORMATION SERVICE

[illegible]

Dealing: 01-638 0478/0479				
Britannia Viewpoint 01-675 666				
UK Specialist Funds				
GrwGiltTst	52.3	53.1	+0.1	0.72
Recovery	80.4	85.8xd	+0.4	2.75
SmallerCo's	115.2	122.9	+0.2	1.24
SpecMktSits	75.1	80.1xd	....	1.31
UKGrw(Dom)	32.2	34.3xd	....	3.07
High Income Funds				
Extra Inc	51.2	54.6	+0.1	7.84
Gilt	25.6	26.9	....	9.82
Inc&Growth	153.7	163.9xd	....	4.64
NatHighInc	146.1	155.8	−1.2	5.99
PrefShares	17.2	18.3	....	11.28

190 West George St., Glasgow. 041-332 6462

FSBalGthFd	236.6	251.7xd	....	—

Fidelity International Management Ltd.
River Walk, Tonbridge, TN9 1DY. 0732 361144

American(z)	83.5	89.4	−0.6	1.74
AmerEqInc(z)	31.1	33.1xd	−0.3	5.72
AmerSpcSts(z)	47.8	51.2xd	−0.4	0.19
StbEAsTst(z)	28.4	30.3	−0.5	1.64
JpnSpecSts(z)	23.1	24.6	−0.6	—
Japan Tst(z)	77.7	82.7	−1.7	—
MnedIntTst(z	84.6	90.1	+0.1	0.90
MaxIncEqTst	56.4	60.0	+0.2	6.22
Special Sits	104.2	110.9	−0.1	1.23

AGA

Annual General Meeting

The Annual General Meeting of shareholders will be held at 4pm on Friday, May 31, 1985, in Lidingö Konferenscenter, Dalensalen, Agavägen, Lidingö, Sweden.

Shareholders who wish to participate in the Meeting should notify AGA of their intention no later than 4pm, May 28, 1985.

Notice of participation may be given:
—by mail, to AGA AB, avd AL, S-181 81 Lidingö, Sweden,
or
—by telephone: +46-8-7311118.

To be entitled to participate in the proceedings of the Meeting, shareholders must be recorded in the shareholders' register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center) no later than May 21, 1985.

Shareholders whose shares are registered in the name of a nominee must temporarily reregister their shares in their own name by May 21, 1985.

Matters to be considered

1. Presentation and approval of the voting list.
2. Election of persons to sign the minutes.
3. Approval of the notice convening the Meeting.
4. Presentation of the Annual Report and Auditors' Report for the Company together with the Consolidated Annual Report and Auditors' Report for the Group.
5. Resolution
   a) to adopt the Statement of Income and the Balance Sheet of the Company together with the Consolidated Statement of Income and the Consolidated Balance Sheet of the Group;
   b) to allocate the Company's profit according to the Balance Sheet so adopted;
   c) to discharge the directors and the managing director from all personal liability in respect of the period covered by the Annual Report.
6. Determination of the number of permanent and deputy members of the Board.
7. Determination of the remuneration of the Board and of the auditors.
8. Election of permanent members and deputy members of the Board, if any.
9. Election of auditors.
10. A proposal by the Board for a bonus issue and a sub-division of shares as follows:
    — to increase the share capital of the Company through a bonus issue by capitalizing from the amount standing to the credit of statutory reserves an amount of Skr 247,928,150, together with any additional amounts that may be required to satisfy conversions of the Company's US$ 30 million 9½% 1996 Convertible Subordinated Bonds registered at Patent- och Registreringsverket before the record date mentioned below, and simultaneously consolidating the same so that each of the shares of the Company will have a paid-up nominal amount increased from Skr 50 to Skr 75; and
    — to alter the nominal amount of each of the shares of the Company by sub-division from Skr 75 to Skr 25 whereby each holder of either A or B shares in the Company—after the aforementioned bonus issue and sub-division—will hold three such shares, each of a nominal amount of Skr 25, for each share of a nominal amount of Skr 50 previously held, each such share of Skr 25 to be of the same class and designated free or restricted in the same manner as the share previously held.

    The record date for the bonus issue and the sub-division shall be June 25, 1985.
11. A proposal by the Board to amend paragraph 3 of the Articles of Association as follows:
    "The share capital of the Company shall amount to not less than four hundred and fifty million Swedish Kronor (Skr 450,000,000) and not more than one thousand eight hundred million Swedish Kronor (Skr 1,800,000,000), represented by registered shares of a nominal value of Skr 25 each. The Company may issue shares of two different series, A and B; shares of any such series may at no time make up more than ninety-nine hundredths of all shares in issue. Series A shares shall carry one vote per share and Series B shares shall carry one tenth of one vote per share."
12. A proposal by the Board to authorize the Board, until the next Annual General Meeting, to resolve to increase the share capital by a maximum of Skr 438,399,900 by issuing new shares for a consideration other than cash, without preferential rights for existing shareholders.
13. A proposal by the Board to authorize the Board, until the next Annual General Meeting, to resolve to issue Convertible Subordinated Bonds, on terms that would increase the share capital of the Company by no more than Skr 438,399,900 on full conversion before adjustment for subsequent issues, for a consideration other than cash, without preferential rights for existing shareholders.

Dividend

The dividend will be paid to shareholders whose names appear in the share register on the record date, which the Board of Directors propose should be June 5, 1985. Dividend payments are expected to be remitted by Värdepapperscentralen VPC AB on June 12, 1985.

Lidingö May 15, 1985

AGA AKTIEBOLAG
The Board of Directors

Anglo American Coal Corporation Limited

(Incorporated in the Republic of South Africa)

RESULTS FOR THE YEAR ENDED MARCH 31 1985 AND DECLARATION OF FINAL DIVIDEND

	1985 R000	1984 R000
Turnover	841 851	705 518
Profit before amortisation, depreciation and taxation	336 834	233 092
Deduct:		
Amortisation of mining assets	20 361	16 356
Depreciation of refractory assets	6 082	5 197
	26 443	21 553
Profit before taxation	310 391	211 539
Deduct:		
Taxation—South African normal	78 440	24 911
—Deferred	68 158	67 848
	146 598	92 759
Profit after taxation	163 793	118 780
Deduct: Profit attributable to outside shareholders in subsidiary companies	8 617	9 580
Profit attributable to shareholders of Amcoal	155 176	109 200
Dividends declared:		
No. 123 of 62.5 cents per share declared November 13 1984	15 275	12 220
No. 124 of 132.5 cents per share declared May 14 1985	32 383	23 218
Total dividends	47 658	35 438
Number of shares in issue	24 439 890	24 439 890
Earnings per share (cents)	634.9	446.8
Dividends per share (cents)	195.0	145.0
Interim	62.5	50.0
Final	132.5	95.0
Dividend cover	3.26	3.08
Net expenditure on fixed and mining assets	177 859	163 148

The annual report will be posted to members on or about June 3 1985.

DIVIDEND NO. 124

Dividend No. 124 of 132.5 cents per share (1984: 95 cents per share), being the final dividend for the year ended March 31 1985, has been declared payable on July 5 1985 to members registered in the books of the company at the close of business on May 30 1985. This dividend, together with the interim dividend No. 123 of 62.5 cents per share declared on November 13 1984, makes a total of 195 cents per share (1984: 145 cents per share).

The transfer registers and registers of members will be closed from May 31 to June 16 1985, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about July 4 1985. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 3 1985 of the rand value of their dividends, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries in Johannesburg or the United Kingdom on or before May 30 1985. The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries in Johannesburg and the United Kingdom.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per A. H. J. Millenaar
Senior Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051 Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered Office:
44 Main Street
Johannesburg 2001

London Office:
40 Holborn Viaduct
London EC1P 1AJ

May 14 1985

Dresdner Finance B.V.

Amsterdam

DM 500,000,000
Floating Rate Notes 1985/1990

The Rate of Interest applicable to the Interest Period from May 15, 1985 to August 14, 1985, inclusively, was determined by Barclays Bank PLC, London, as Reference Agent to be 5¾ per cent per annum. Therefore, on August 15, 1985, the relevant Interest Payment Date, interest per Note of DM 10,000 principal amount in the amount of DM 146.94 and interest per Note of DM 250,000 in the amount of DM 3,673.61 is due.

Frankfurt am Main;
in May 1985

Dresdner Bank
Aktiengesellschaft
Principal Paying Agent

Dresdner Bank Group

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday May 15 1985

Ivory Coast sees bumper cocoa crop, Page 40

ØØ

WALL STREET

Nervousness surfaces on sales figures

BOND YIELDS dropped sharply yesterday after the Commerce Department disclosed a much smaller increase in April retail sales than Wall Street expected, writes Terry Byland in New York.

While the monthly retail sales statistics are regarded with some scepticism, the April figures increased the chances that the Fed would be able to stimulate the economy without fear of rekindling inflation.

The stock market, however, remained nervous of the implications for corporate profits of a slowing economy.

The Dow Jones industrial average closed 4.20 down at 1,273.30.

The announcement that retail sales had gained only 0.9 per cent, against predictions of up to 2 per cent, quickly pushed bond prices ahead by more than a full point. The yield on the new long bond, the 11.25 per cent of 2015, dropped to 11.10 per cent, a fall of 27 basis points since it was auctioned last Thursday.

Short-term rates also fell in response to further weakness in federal funds. Treasury Bill rates dipped around six basis points, although there seemed little sign of any flight to quality despite the worsening situation in the Maryland savings and loan industry.

The stock market opened firmly on the back of some institutional buying orders left over from the previous day. However, support faded later and weakness in technology and airline stocks turned the market lower.

Mainframe computer manufacturers were sluggish behind IBM, $2¼ down at $128 and Honeywell, $⅞ off at $58⅝. But nervousness ahead of this week's launch of important new models brought a sharp drop of $2¼ to $103⅞ in Digital Equipment, which is still struggling to recover from a difficult trading period. Data General was also weak, down $1 at $38½.

General Electric, $1¼ down to $58⅞, was again overshadowed by the $1m fine imposed in the Pentagon fraud case. At $71, General Dynamics gave up a further $⅝. Other defence-aerospace stocks were uneven, Lockheed slipping $⅛ to $48⅝. United Technologies eased $⅛ to $40 on the $1bn deal with BASF of West Germany. At $38⅛, Texaco gained $1⅛ after the annual meeting.

Airline stocks turned down as the session progressed. Pan American shed $⅛ to $5⅝, while among the domestic carriers, United gave up $¾ to $46¼ on the prospect of a strike by the pilots.

Motor stocks steadied, however, with the help of the latest sale statistics from the main manufacturers. Ford ended $1 down at $41, and Chrysler at $34⅝ closed unchanged. General Motors, however, eased $1 to $66½.

The appearance of a buyer for Warner Amex, the television cable operator, left Warner Communications $¼ off at $27⅞, and American Express, the other joint parent, $¾ down at $45.

CBS weakened by $1⅞ to $109⅞ after claiming that profits at Ziff-Davis, the recent acquisition, had been overstated. Taft Broadcasting fell $1⅞ to $72 on the profits news. But Telerate, the stock market information service group, dipped $1¼ to $21, with the rise in profits disappointing the market.

Other features included Inland Steel, $1 higher at $22⅞ after closing the Butler Taconite project, which will help future earnings. Signal Companies, a front runner in the bidding for Hughes Aircraft, jumped $2½ to $39⅞ ahead of the outcome of the auction.

In a mixed chemicals sector, Du Pont jumped $1⅛ to $57⅞. Pharmaceuticals were mostly firmer in response to a weakening dollar. Merck added $⅝ to $103⅞. Upjohn, however, dipped $1 to $95⅝ after rising sharply in the previous session.

A dip in federal funds below 8 per cent at mid-session confirmed the move towards lower rates in the money markets. Yield falls increased as maturities lengthened, and 12-month Treasury Bill rates were 12 basis points off. Bond prices held on to their early gains, although trading was not heavy.

AUSTRALIA

Deficit move inspires rise to record

A BROAD range of industrial and mining issues reached record levels in Sydney ahead of the Federal Government's economic measures aimed at cutting the country's deficit.

By the close of trading the All Ordinaries index had risen 5.0 to 898.3, although most issues encountered selling pressure after the indicator passed the 900 barrier shortly before the mid-session break and closed below their peaks.

Strength in the Australian dollar against the U.S. dollar added further confidence, particularly to industrial stocks. Banks were stron, benefiting also from the expectation of solid interim profit performances.

Golds continued their almost uninterrupted rise of the past month.

LONDON

BRITISH AEROSPACE shares made a successful debut in London during a generally turbulent session. The stock closed with a 44p premium on its 200p issue price after peaking at 253p.

A wave of late profit-taking made a sharp impact on the market's mood during later trading and forced the FT Ordinary share index to shed its 4.7 early gain to close down 4.6 at 1,012.3 after being 8.1 down at mid-afternoon.

A statement that the retail chain Burton would not be bidding for the fellow retailer, Debenhams took the heat out of several other speculative situations. Debenhams tumbled 21p to 307p, while Burton gained 14p to 471p.

Gilts were guided more by equities than sterling, which continued to improve against the dollar. Renewed foreign support took values higher initially but when it faded the gains were gradually eroded.

Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36–37

SINGAPORE

FOR THE fifth consecutive day, share prices in Singapore advanced, although most activity remained concentrated on cheaper, speculative issues.

The Straits Times industrial index firmed 2.6 to 804.24, with advances holding almost a three-to-one advantage over declines.

Property stocks were boosted by a reduction in certain property-related taxes with Singapore Land up 8 cents to S$2.82 and City Development 7 cents higher at S$1.33. Banks were also generally higher.

HONG KONG

INVESTORS paused to reassess the market in Hong Kong after the recent advances, leaving sellers in control for most of the session.

The Hang Seng index eased 13.29 to 1,615.00 after being down 8.59 at the end of morning trading, influenced by falls among leading stocks such as Hang Seng Bank down HK$1 to HK$51, Swire 30 cents lower at HK$24 and Sun Kai Properties off 20 cents at HK$12.30.

SOUTH AFRICA

AN ADVANCE across the board advance in Johannesburg was again led by leading gold stocks as buoyancy remained in international bullion markets.

Buffels was the most significant improver, adding R3 to R85.50, while among the cheaper issues Venters rose 50 cents to R19.50.

CANADA

THE MOMENTUM of trading remained high in Toronto as a broad range of stocks traded sharply higher.

Among the most active, Falconbridge traded up C$½ at C$20¼, followed by Molson up C$¼ to C$16⅝ and Canadian Pacific which traded C$¼ higher at C$19⅞.

Turnover was heavy in Montreal as key market indicators advanced.

TOKYO

International influence ignored

THE RISE on Wall Street and the yen's firmness against the U.S. dollar failed to generate investor enthusiasm in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average shed 37.33 to 12,504.20 on a volume of 381m shares, compared with Monday's 316m. Declines outnumbered advances 439 to 319, with 168 issues unchanged.

Non-ferrous metals and electric power issues, spurred by the yen's rise, advanced in the morning, but their popularity proved short-lived, and profit-taking gradually gathered momentum.

Dowa Mining rose Y22 at one stage, but selling pressure later trimmed the increase and the issue closed at Y835, up Y15. Sumitomo Metal Mining added Y20 to Y1,790 and Mitsui Mining and Smelting Y7 to Y558.

Some oils also gained ground, with Toa Nenryo Kogyo finishing Y10 up at Y1,200 and Maruzen Oil Y13 up at Y305. But Showa Shell turned lower, losing Y16 to Y626.

Among utilities, Tokyo Electric Power and Kansai Electric Power rose Y10 to Y1,800 and Y30 to Y1,520, respectively. Tokyo Gas was actively traded, but the issue closed unchanged at Y193.

Nippon Yakin Kogyo topped the active list with 10.24m shares traded and jumped Y13 to Y420. Asahi Chemical, second most active with 9.06m shares, gained an early Y13 but closed Y12 lower at Y918. Among other biotechnologies, Green Cross plunged Y110 to Y2,650 and Dainippon Pharmaceutical Y90 to Y4,440. But Mochida Pharmaceutical rose Y220 to Y10,700, while Kaken Pharmaceutical finished at Y2,760, up Y100, and Kuraray at Y1,050, a net Y20 higher.

Some assets-heavy stocks that had been popular Monday declined. Mitsubishi Estate shed Y14 to Y656.

Blue chips were mixed. Hitachi and Toshiba advanced Y8 to Y791 and Y4 to Y382, respectively but Sony lost Y40 to Y4,100. Minolta Camera slipped below Y800 to Y798, down Y13, because of fears of a slide in profit growth.

Speculator interest continued to push up Nippon Formula Feed, which added Y21 to Y408. Mitsui Sugar finished at Y612, up Y17.

A leading brokerage house sold bonds for position adjustment at a time when investors were beginning to think prices were rising too rapidly. The yield on the barometer 7.3 per cent government bonds due in December 1993 edged up to 6.565 per cent from Monday's 6.560 per cent.

EUROPE

Post-election dynamism in Milan

POST-ELECTION dynamism underscored record performances in Italy and Germany yesterday while the failure of bargain-hunters to appear in Sweden resulted in a bruising encore of Monday's fall.

The decline in support for the Italian Communist Party in regional elections spirited Milan to a high for the year, with the Banca Commerciale index rising 10.6 points to a peak 305.07. Volume was particularly heavy, and the session was extended by one hour to cope with the surge in orders.

Among the main gainers were Fiat, which hit a 1985 peak of L3,136 with a rise of L105, while Finsider advanced L8.50 to L92.50 ahead of the EEC steel subsidy agreement. Olivetti's tie-up with Toshiba merited it a L230 rally to L6,510, a new high, while Montedison firmed L25 to L1,658 on results and capital and capital moves. Italcementi hit a record L91,450 with a rise of L250 while insurer Generali settled at a new record of L45,950 with its L1,050 surge.

Frankfurt turned its back on Sunday's state election and enjoyed the view afforded from yet another new peak. Foreign demand combined with a steady flow of corporate profit statements to bolster the mid-day calculation of the Commerzbank index by 12.4 points to a further all-time high of 1,263.6. Hopes of lower domestic interest rates continued to buoy sentiment.

A broad mix of issues reached new 12-month trading records with the banking sector well represented. Deutsche Bank sparkled with a DM 13 surge to DM 492 on a rise in first-quarter earnings while Commerzbank's DM 2.60 rally took it to a high of DM 182.80.

Among the car makers hitting peaks were Daimler, up DM 5 to DM 704, and VW, up DM 1.70 to DM 228.

AEG Telefunken edged 90 pfg higher on a confident forecast for 1985 to a top level of DM 118.60 while Munich Re's DM 17 advance – one of the largest in numerical terms – took the insurer below its 1985 record to DM 1,397.

The chemical sector was again actively pursued by foreign investors pushing Hoechst to a 12-month high of DM 219.9, up DM 3.40, while BASF picked up DM 2.90 to DM 209.

Veba posted a DM 2.10 gain to DM 185.80 and Brown Boveri added 30 pfg to DM 211.80.

IWKA, the industrial robot maker, slumped DM 15 to DM 297 after its decision to limit voting rights to ward off a possible takeover.

Bonds extended the gains made in the previous session with rises of up to 40 basis points although the average gain was between 5 and 10 points. The Bundesbank reduced its sales of paper to DM 49.6m after a hefty DM 151.2m on Monday.

Stockholm fell heavily again after the Government's package of credit curbs and interest rate moves.

Electrolux topped the active list with a SKr 8 decline to SKr 306 while Asea surrendered SKr 5 to SKr 330. Falls of SKr 10 were reserved for Astra at SKr 450 despite good first-quarter profits and Volvo at SKr 242.

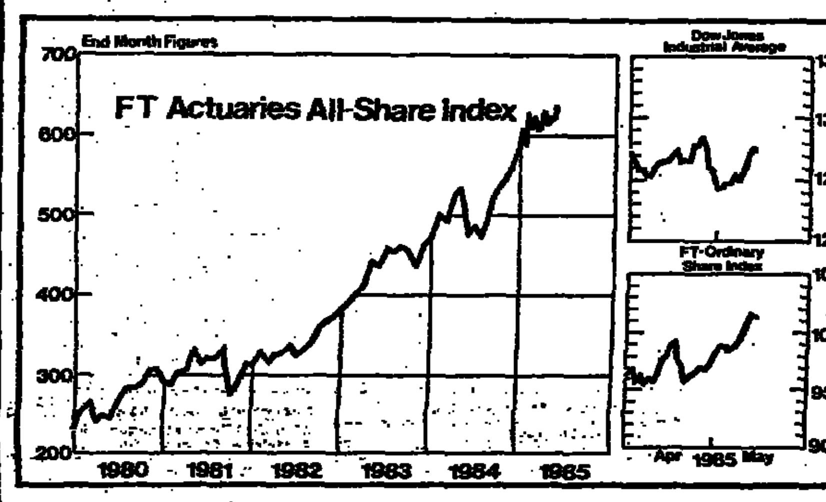
Ericsson managed to limit the damage with only a SKr 2 slip to SKr 284 and Pharmacia moved against the trend with a SKr 2 jump to SKr 190, on results

Light trading was evident in **Paris** with most sectors mixed by the close. **Brussels** finished steady although **Madrid** managed a modest advance.

Significant price movements in **Zurich** were limited as most issues settled into a consolidation phase.

Internationals were among the weakest shares in **Amsterdam**, where a broad decline also weakened banks and insurers. Unilever's Fl 4 drop to Fl 349.50 led the downturn.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	May 14	Previous	Year ago
DJ Industrials	1,273.30	1,277.50	1,151.07
DJ Transport	609.72	617.36	499.18
DJ Utilities	158.70	158.85	128.66
S&P Composite	183.87	184.61	157.5
LONDON			
FT Ord	1,012.3	1,016.9	878.0
FT-SE 100	1,326.5	1,333.0	1,082.4
FT-A All-share	637.44	639.84	519.92
FT-A 500	696.06	700.66	568.48
FT Gold mines	511.3	497.1	612.2
FT-A Long gilt	10.75	10.76	10.64
TOKYO			
Nikkei-Dow	12,504.20	12,541.53	10,563.3
Tokyo SE	978.03	981.36	828.61
AUSTRALIA			
All Ord.	898.3	892.7	739.1
Metals & Mins.	578.8	573.2	498.1
AUSTRIA			
Credit Aktien	94.39	94.70	54.87
BELGIUM			
Belgian SE	2,228.27	2,223.97	—
CANADA			
Toronto			
Metals & Minls	2,016.8	2,016.3	1,977.0
Composite	2,660.9	2,648.0	2,271.3
Montreal			
Portfolio	130.86	130.39	109.9
DENMARK			
Copenhagen SE	185.75	186.22	195.93
FRANCE			
CAC Gen	220.7	220.2	176.1
Ind. Tendance	121.9	121.4	91.1
WEST GERMANY			
FAZ-Aktien	432.57	428.11	344.24
Commerzbank	1,263.6	1,251.2	1,003.4
HONG KONG			
Hang Seng	1,615.00	1,628.29	908.72
ITALY			
Banca Comm.	305.07	294.47	211.59
NETHERLANDS			
ANP-CBS Gen	207.9	209.1	163.6
ANP-CBS Ind	171.9	171.9	131.4
NORWAY			
Oslo SE	332.27	334.48	289.02
SINGAPORE			
Straits Times	804.24	801.64	981.26
SOUTH AFRICA			
JSE Golds	–	1,091.1	890.9
JSE Industrials	–	922.7	975.4
SPAIN			
Madrid SE	111.49	111.26	86.1
SWEDEN			
J & P	1,408.94	1,424.75	1,519.28
SWITZERLAND			
Swiss Bank Ind	431.4	433.0	377.1
WORLD	May 13	Prev	Year ago
Capital Int'l	207.7	206.1	184.9

GOLD (per ounce)

	May 14	Prev
London	$327.00	$322.25
Zürich	$327.25	$321.05
Paris (fixing)	$322.85	$317.56
Luxembourg	$324.00	$317.00
New York (June)	$325.80	$326.35

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	May 14	Previous	May 14	Previous
$	–	–	1.2735	1.254
DM	3.0425	3.0725	3.8775	3.8525
Yen	249.55	251.3	318.0	315.0
FFr	9.3	9.37	11.835	11.74
SwFr	2.565	2.5825	3.265	3.24
Guilder	3.445	3.479	4.39	4.3525
Lira	1,942.5	1,969.0	2,476.0	2,458.0
BFr	61.3	62.05	78.1	77.65
C$	1.378	1.3755	1.755	1.723

INTEREST RATES

	May 14	Prev
Euro-currencies (3-month offered rate)		
£	12 11/16	12 11/16
SwFr	5 5/16	5 3/16
DM	5⅝	5 11/16
FFr	10¼	10 5/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 5/16	8 5/16
6-month U.S.$	8⅝	8⅝
U.S. Fed Funds	8¼	8⅛
U.S. 3-month CDs	7.90	7.9
U.S. 3-month T-bills	7.60	7.7

U.S BONDS

Treasury		May 14* Price	May 14* Yield	Prev Price	Prev Yield
9⅝	1987	100 15/32	9.477	100 9/32	9.60
11⅜	1992	104 29/32	10.741	104 1/32	10.90
11¼	1995	102 19/32	10.865	101 11/32	11.03
11¼	2015	101 25/32	11.05	100 19/32	11.19

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	73–23	73–26	72–27	72–27
U.S. Treasury Bills (IMM) $1m points of 100%				
June	92.43	92.44	92.30	92.32
Certificates of Deposit (IMM) $1m points of 100%				
June	91.92	91.91	91.81	91.80
LONDON				
Three-month Eurodollar $1m points of 100%				
June	91.55	91.56	91.47	91.48
20-year Notional Gilt £50,000 32nds of 100%				
June	105–20	105–26	105–05	105–19

Corporate	May 14* Price	May 14* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	98¾	10.70	98¾	10.70
3⅞ July 1990	77⅞	9.45	77⅞	9.45
8¾ May 2000	78⅛	11.85	78⅛	11.85
Xerox				
10⅞ March 1993	96	11.40	96	11.40
Diamond Shamrock				
10⅜ May 1993	95	11.60	95	11.60
Federated Dept Stores				
10⅜ May 2013	99¾	11.83	99¾	11.83
Abbot Lab				
11.80 Feb 2013	99¾	11.82	99¾	11.82
Alcoa				
12¼ Dec 2012	99½	12.30	99½	12.30

COMMODITIES

(London)	May 14	Prev
Silver (spot fixing)	515.80p	506.75p
Copper (cash)	£1,221.00	£1,226.50
Coffee (July)	£2,105.50	£2,093.00
Oil (spot Arabian light)	$26.95	$27.05

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.8	13	45	17	16⅞	16⅞	-⅛
19	9⅜	AGS			12	31	15	14⅝	14⅝	-⅜
17⅜	9⅝	AMCA				2	11¼	11¼	11¼	
21½	13¾	AMF	.50	2.6	55	3550	20⅛	19⅛	19⅛	-⅞
45	24¼	AMR			10	2558	44½	43½	43½	-⅞
21⅜	18⅝	AMR pf2.18		11.		258	20⅞	20⅝	20⅝	-⅛
14¼	7¾	APL			42	33	10⅜	9¾	9¾	-⅝
65¼	44⅜	ASA		23.8		532	53⅜	52¼	52¼	-1
27	14⅛	AVX	.32	2.0	13	178	16⅜	16	16¼	+⅛
24⅞	16	AZP	2.72	12.	7	770	23⅞	23⅜	23½	
54	36¼	AbtLab 1.40		2.7	15	1928	53¼	52⅛	52⅜	-¾
25⅞	17	AccoWd .44		2.0	17	91	22	21⅝	22	+⅜
21⅛	12½	AcmeC .40		3.0		244	14¼	13½	13½	-⅝
10½	7⅜	AcmeE .32b		4.1	10	22	7⅞	7⅝	7¾	-⅛
17⅜	15	AdaEx 1.92e		12.		66	16⅞	16⅝	16⅝	-¼
20	11⅞	AdmMl .32		2.0	6	5	15¾	15⅝	15¾	+⅛
19½	8⅝	AdvSys .53t		5.0	17	64	10⅞	10⅝	10⅝	-¼
41⅛	25⅛	AMD			12	4060	29	27⅛	27⅞	-⅜
12¾	6⅞	Advest .12		1.3		148	9⅝	9	9	-⅝
14⅝	8¾	Aeriflex			11	13	12½	12¼	12⅜	
45¼	27¼	AetnLf 2.64		5.8	33	2151	45⅛	44¾	44⅞	
58¾	52⅜	AetL pf5.83e		10.		15	55⅝	55⅝	55⅝	
35¼	15¾	Ahmns 1.20		3.4	14	945	u35½	35	35	-¼
3⅞	2½	Aileen			22	56	2⅞	2⅞	2⅞	
52	38⅜	AirPrd 1.20		2.3	11	857	51⅝	51	51¼	-⅛
24⅜	13	AirbFrt .60		2.8	12	68	21⅛	20⅝	21⅛	+⅝
2	1	AlMoa s			23	50	1¾	1⅝	1⅝	
32¼	26¾	AlaP pfA3.92		12.		2	u32½	32¼	32¼	
8	6	AlaP dpf.87		11.		36	7⅞	7½	7¾	+⅛

Continued on Page 33

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49	24	Zayre wi				7	u49½	49¼	49½	+½
30	18½	ZenithE			8	1074	20⅞	20¼	20⅝	−½
21⅞	14⅜	Zero s	.32	1.8	15	x179	18¼	17⅞	18	
31⅝	21⅞	Zurnln	1.32	4.4	11	63	29⅞	29⅝	29¾	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

May 14	Price Sch%	+ or −
Creditanstalt	331	−6
Goesser	505	−25
Interunfall	905	+25
Laenderbank	315	−10
Perlmooser	551	−4
Steyr-Daimler	220	+10
Veitscher Mag	520	+22

BELGIUM/LUXEMBOURG

May 14	Price Frs.	+ or −
B.B.L.	1,940	+10
Banq. Int. A. Lux	6,000	....
Bekaert B.	5,500	+100
Ciment CBR	2,385	+25
Cockerill	226	+2
Delhaize	8,550	....
EBES	2,795	−5
Electrobel	5,320	+20
Fabrique Nat	1,885	−15
GB Inno BM	3,090	+35
GBL (Brux)	1,936	....
Gevaert	3,625	−70
Hoboken	5,430	−60
Intercom	2,250	+10
Kredietbank	6,210	−40
Pan Hldgs.	11,000	....
Petrofina	6,880	+10
Royale Belge	11,750	−100
Soc. Gen. Banq.	3,275	+55
Soc. Gen. Belge	1,910	+65
Sofina	6,910	....
Solvay	4,300	+10
Stanwick Intl.	1,540	−10
Tractionel	3,895	+45
UCB	4,920	+15
Wagon Lits	3,040	+40

DENMARK

May 14	Price Knr %	+ or −
Andelsbanken	288	−2
Baltic Skand	550	....
CopHandelsbank	263xr	−2
D. Sukkerfab	515	−80
Danske Bank	296	−3
De Danske Luft	1,155	....
East Asiatic	213	−3
Forenede Brygg.	990	....
Forenede Damp.	130	−4
GNT Hldg	389	−4
I.S.S.B.	485	....
Jyske Band	605	−20
Novo Ind	1,515	−20
Privatbanken	261	−2
Provinsbanken	332	−3
Smidth (F)	247	−2
Sophus Berend	1,040	....
Superfos	450	−2

FRANCE

May 14	Price Frs.	+ or −
Emprunt 4½% 1973	1,690	....
Emprunt 7% 1973	8,350	+65
Accor	279	+2
Air Liquid	641	+7
BIC	518	−9
Bongrain	1,912	+2
Bouygues	755	....
BSN Gervais	2,599	+24
CIT-Alcatel	1,346	+4
Carrefour	2,150	−10
Club Mediter'n	534xc	....
Cie Bancaire	616xc	−4
Cofimeg	291.9	+1.7
Damart	2,345	−4
Darty	1,326	−2
Dumex S.A.	645	+15
Eaux (Cie Gen)	639	+5
Elf-Aquitane	229.2	−0.9
Essilor	2,465	+25
Gen. Occidentale	713	+2
Imetal	120.7	−0.8
Lafarge Coppee	640	+24
L'Oreal	2,530	+30
Legrand	2,095	+35
Maisons Phenix	240	+12
Matra S.A.	1,840	+35
Michelin B.	934	−1
Midi (Cie)	2,515	−35
Moet-Hennessy	1,845	−10
Moulinex	97	−2.9
Nord Est	87.2	−0.3
Penod Ricard	701	−6
Perrier	543	+6
Petroles Fra	270	+0.8
Peugeot S.A.	345	....
Printempt.Aus	240	+8.1
Radiotech	294	−1
Redote	1,399	+28
Rousul-Uclaf	1,770	−9
Sefimeg	360	+4
SkisRossgnol	1,569xc	....
Telemech Elect	2,390	+25
Thomson CSF	541	....
Valeo	215	−2

GERMANY

May 14	Price Dm.	+ or −
AEG-Telef	118.6	+0.9
Allianz Vers	1258xr	+4
BASF	209	+2.9
Bayer	218.2	+2.1
Bayer-Hypo	348	+7
Bayer-Verein	333xd	+4
BHF-Bank	291	+3.8
BMW	370.2	−2.3
Brown Boveri	211.8	+0.2
Commerzbank	182.8	+2.6
Cont'l. Gummi	139.5	+0.1
Daimler-Benz	704	+5
Degussa	351	+0.2
D'sche Babcock	161	−2
Deutsche Bank	492	+15
Dresdner Bank	225.5xd	+1.9
GHH	151.5	+4
Hochtief	475	....
Hoechst	219.9	+3.4
Hoesch Werke	109.5	+1
Holzmann (P)	434.5	+3
Horten	170	+1
Husset	292	−0.5
Karstadt	228.5	−0.5
Kaufhof	229	....
KHD	250.2	+1.7
Kloeckner	72.2	+0.7
Linde	435	+8
Lufthansa	189.2	−0.3
MAN	143.7	+0.2
Mannesmann	158.5	+0.5
Mercedes Hld.	623.8	+12.5
Metallgesel	265	+4.5
Munech Rueck	1,397	+17
Nixdorf	587	−1
Porsche	1199	+9
Preussag	275	+3
Rhein West Elect	158	+0.5
Rosenthal	256	....
Schering	448	+6
Siemens	547	+3
Thyssen	104	+2.1
Varta	193.5	+4.9
Veba	185.8	+2.1
V.E.W.	129	+1
Verein-West	314	+1
Volkswagen	228	+1.7

ITALY

May 14	Price Lira	+ or −
Banco Com'le	18,500	+500
Bastogi-IRBS	210	+4
B.I-Invest	3,520	+115
Centrale	3,150	+70
Credito Varesino	4,055	+95
Fiat	3,136	+105
Finsider	92.5	+8.5
Generali Assicur.	45,950	+1050
Italcementi	91,450	+250
La Rinascenti	760	+53
Montedison	1,668	+28
Olivetti	6,520	+230
Pirelli Co	4,027	+58
Perelli Spa	2,416	+64
Snia BPD	2,990	+99
Toro Assic.	14,950	+690
do Pref	11,195	+596

NETHERLANDS

May 14	Price Fls	+ or −
ACF Holding	206	+2
AEGON	189.5	−0.5
Ahold	221.5	−1.3
AKZO	107.6	−0.2
ABN	431	+1.5
AMEV	242	....
AMRO	75.5	+0.1
Bredero Cert	154	−7
Bos Kalis Westm.	19.6	+0.7
Buehrmonn-Tet.	95	−0.2
Calland Hldgs.	37.2	....
Dordtsche Pet'm	181	−1
Elsevier NDU	121	−1.5
Fokker	127	+3
Gist Broades	181.2	−2.3
Heineken	148.9	−2.1
Hoogovens	61.2	−0.8
Int Mueller	50.5	....
KLM	60.4	−0.1
Naarden	51.5	−0.4
Nat Ned Celt	65.8	−0.6
Ned M'd Bank	168	−0.3
Nedlloyd	167	−5.5
Oce Grinten	318	....
Ommeren (Van)	28.9	+0.1
Pakhoed	65	....
Philips	54.6	−0.4
Robeco	73.5	....
Rodamco	139.8	+1.3
Rolince	68.4	+0.2
Rorento	45	−0.1
Royal Dutch	199.6	−1.0
Unilever	349.5	−4
VMF Stork	190	−3
VNU	216	+2
West Utr Bank	95.1	+0.8

NORWAY

May 14	Price Kroner	+ or −
Bergens Bank	145.5	....
Borregaard	374	−1
Christiania Bank	141	....
DenNorske Cred	149.5	+0.5
Elkem	145.3	+3
Kvaerner	177.5	−5.5
Norsk Data	402.5	−6.5
Norsk Hydro	112	....
Storebrand	264	+1.5

SPAIN

May 14	Price Pta%	+ or −
Bco Bilbao	344	....
Bco Central	322	....
Bco Exterior	205	+3
Bco Hispano	163	−1
Bco Popular	365	....
Bco Santander	361	....
Dragados	167	+1
Hidrola	86.2	+1.2
Iberduero	95.2	−1
Petroleos	154.5	−1.2
Telefonica	122.7	+0.5

SWEDEN

May 14	Price Kronor	+ or −
AGA	405	....
Alfa-Laval	188	−4
ASEA (Free)	335	....
Astra (Free)	450	−10
Atlas Copco	108	−3
Cardo (Free)	252	+2
Cellulosa	116	−1
Electrolux B	306	−8
Ericsson	284	−2
Esselte	410	+25
Mo och Domsjo	222	−10
Pharmacia	190	+2
Saab Scania Free	455	....
Sandvik	400	−10
Skandia	316	−3
Skan Enski'da	44.5	−1
SKF	215	−6
St Kopparbergs	141	−3
Sven Handlesbn.	146	−5
Swelvosh Match	210	−2
Volvo B (Free)	242	−10

SWITZERLAND

May 14	Price Frs.	+ or −
Alusuisse	800	−4
Bank Leu	3,680	+60
Brown Boveri	1,625	−5
Ciba Geigy	3,090	−5
do. (Part Certs)	2,445	−5
Credit Suisse	2,545	+10
Elektrowatt	2,790	....
Fisher (Geo.)	760	....
Hoff-Roche PtCts	85,000	−1250
Hoff-Roche 1/10	8,500	−125
Jacobs Suchard	5,825xr	+45
Jelmoli	2,000	+10
Landis & Gyr	1,650	....
Nestle	6,615	−85
Oer-Buehrle	1,440	−5
Pirelli	334	−1
Sandoz (Br)	8,000	....
Sandoz (PtCts)	1,390	−10
Schindler (Pt Cts)	830	....
Sika	1,150	....
Surveillance	4,510	+80
Swissair	1,115	+10
Swiss Bank	396	....
Swiss Reinsce	11,800	....
Swiss Volksbk	1,510	+10
Union Bank	3,790	+15
Winterthur	4,180	....
Zurich Ins	25,700	+200

AUSTRALIA

May 14	Price Aust $	+ or −
ANZ Group	4.95	+0.06
Alliance Oil Dev	1.05	....
Ampol Pet	1.82	....
Ashton	0.95	....
Aust. Cons. Ind	2.23	−0.01
Aust. Guarantee	2.55	+0.1
Aust. Nat. Inds	2.89	+0.01
APM	2.9	+0.05
Bell Group	7.3	+0.16
Bell Res	7.2	....
Bond Corp Hldgs	1.52	....
Boral	3.24	+0.02
Bougainville	2.38	+0.06
Brambles Inds	3.9	−0.05
Bridge Oil	2.35	−0.1
B.H. Prop	6.62xa	....
CRA	6.5	....
CSR	2.92	−0.02
CastlemaineTys	5.34	....
Coles (G.J.)	3.81	+0.03
Comalco "A"	2.4	....
Consolidated Pet	0.43	−0.02
Costain Aust	1.8	....
Dunlop Olympic	2.22	−0.04
Elders IXL	3.00	−0.02
Energ Res	1.46	....

AUSTRALIA (continued)

May 14	Price Aust $	+ or −
Gen. Pro. Trust	2.28	....
Hardie (James)	3.22	....
Hartogen Energy	3.2	−0.05
Herald W'yTimes	4.65	....
ICI Aust	2.06	....
Jimberlana F.P.	0.39	....
Kia Ora Gold	0.17	+0.01
Lend Lease	7.00	+0.20
MIM	3.45	+0.05
Mayne Nickless	3.2	−0.1
Myer Emporium	1.92	+0.08
Nat. Aust. Bank	4.10	....
News	7.86xc	+0.16
Nicholas Kiwi	1.95	+0.05
North Bkn Hill	2.73	−0.02
Oakbridge	1.01	+0.01
Pancont'l	1.92	+0.02
Pioneer Conc	1.75	+0.01
Poseidon	4.45	+0.05
Queensland Coal	1.65	+0.05
Reckitt & Coln	3.4	−0.1
Repco	1.25	+0.02
Santos	5.2	+0.02
Smith (Howard)	4.7	....
Thos. Natwide	1.96	+0.04
Tooth	5.84	+0.04
Vamgas	4.6	+0.1
Western Mining	4.44	+0.06
Westpac Bank	4.15	+0.05
Woodside Petrol	1.61	+0.01
Woolworths	3.11	+0.01
Wormald Intl	3.58	....

HONG KONG

May 14	Price H.K.$	+ or −
Bank East Asia	27	+0.3
Cheung Kong	17	−0.2
China Light	15.8	....
Evergo	0.83	....
Hang Seng Bank	51	−1
HK Electric	8.3	....
HK Kowloon Wh.	6.55	−0.05
HK Land	6.05	....
HK Shanghai BK.	8.25xa	−0.1
HK Telephone	88.5	−1.5
Hutchinson Wpa	24.7	+0.1
Jardine Math	11.9	+0.1
New World Dev.	7.2	−0.1
Orient O'seas	2.17	−0.05
Oseas Trust Bk	3.2	−0.05
SHK Props	12.3	−0.2
Shell Elect	1.31	....
Swire Pac A	24	−0.3
TV—B	6.65	+0.05
Wheel'k Mard A.	7.3	....
Wheel'k M'time	1.10	....
World Int. Hldns.	2.10	−0.05

JAPAN

May 14	Price Yen	+ or −
Ajinomoto	1,070	−10
Alps Electric	1,770	−20
Amada	1,030	....
Asahi Chem	918	−12
Asahi Glass	893	+13
Bridgestone	516	+5
Canon	1,230	−10
Casio Comp	1,670	+20
Chugai Pharm	1,040	−10
Citizen	514	....
Daiei	700	+25
Dai Nippon Ptg	1,030	+10
Daiwa House	606	−1
Ebara	436	+2
Eisai	1,430	−10
Fanuc	8930xr	+20
Fuji Bank	1,590	+30
Fuji Film	1,710	−10
Fujisawa	975	−15
Fujitsu	1,170	+10
Green Cross	2,650	−110
Hasegawa	400	+5
Heiwa Real Est	886	−32
Hitachi	791	+5
Hitachi Credit	1,110	−20
Honda	1,340	−10
House Food	720	....
Hoya	2,120	−30
Itoh (C)	367	−3
Ito. Yokado	2,690	+90
Iwatsu	969	−16
JACCS	320	−5
JAL	6,850	+10
Jusco	776	−6
Kajima	309	....
Kao Soap	803	−12
Kashiyama	660	+2
Kirin	665	−11
Kokuyo	920	−1
Komatsu	437	+1
Konishiroku	665	−8
Kubota	348	+4
Kumagai	612	−6
Kyoto Ceramic	4,700	+100
Maeda Const	617	+12
Makino Milling	1,220	....
Myakita	1,020	+10
Marubeni	303	−3
Marudai	575	+5
Marui	1,110	−20
MEI	1,470	−20
M'ta Elec Works	740	−38
M'bishi Bank	1,550	+6
M'bishi	618	−3
M'bishi Elect	394	+1
M'bshi Estate	656	−14

JAPAN (continued)

May 14	Price Yen	+ or −
MHI	264	....
Mitsui	337	−3
Mitsui Estate	712xc	−5
Mitsukoshi	530	....
NGK Insulators	885xc	....
Nihon Cement	290	+8
Nippon Denso	1,310	−30
Nippon Elect	1,060	−10
Nippon Express	360	−4
Nippon Gakki	1,560	−45
Nippon Kokan	130	−3
Nippon Oil	874xc	+8
Nippon Seiko	579	−2
Nippon Shimpan	570	−15
Nippon Steel	144	....
Nippon Suisan	340	−2
NTV	10010xc	−140
Nippon Yusen	252xc	−1
Nissan Motor	616	−1
Nisshin Flour	520	+19
Nisshin Steel	162	....
Nomura	1,080	−20
Olympus	1,180	+30
Orient Leasing	2,800	....
Pioneer	2,070	+10
Renown	650	−2
Ricoh	910	−14
Sankyo	1,130	....
Sanyo Elect	451	−1
Sapporo	450	−2
Sekisui Prefab	640	....
Seven-Eleven	9,250	+60
Sharp	973	....
Shimadzu	775xc	+2
Shionogi	730xc	−3
Shiseido	1,180	+20
Sony	4,100	−40
Stanley	868	....
S'tomo Bank	1,750	−30
S'tomo Elect	861	−4
S'tomo Marine	615	−5
S'tomo Metal	148	+1
Taihei Dengyo	490	+4
Taisei Corp.	226	−3
Taisho Pharm	1,150	−20
Takeda	870	....
TDK	5,320	−10
Teijin	434	....
Teikoku	780	−4
Tokio Marine	848	+3
TBS	815	+20
Tokyo Elect Pwr	1,800	+10
Tokyo Gas	193	....
Tokyo Sanyo	663	−1
Tokyo Style	794	+14
Tokyu Corp	388	−2
Toppan Print	870	+10
Toray	456	+2
Toshiba Elect	382	+4
TOTO	694	+9
Toyo Seikan	885	−10
Toyota Motor	1,280	−10
Victor	1,830	−20
Wacoal	701	+6
Yamaha	731	−1
Yamanouchi	2,950	−60
Yamazaki	655	−7
Yasuda Fire	465	+5
Yokogawa Bdge.	470	+10

SINGAPORE

May 14	Price $	+ or −
Boustead Hldgs.	1.67	+0.01
Cold Storage	2.48	....
DBS	6.3	+0.1
Genting	6.05	+0.1
Haw Par. Bros	2.14	+0.01
Hong Leong Fin	2.97	+0.05
Inchcape Bhd.	2.36	−0.02
Keppel Shipyard	1.65	+0.02
Malay Banking	6.35	+0.15
Malay Utd. Ind	2.5	....
Multi Purpose	0.94	....
OCBC	9.05	+0.05
OUB	4.36	+0.78
Public Bank	1.53	+0.01
Sime Darby	1.99	−0.01
Singapore Press	6.15	....
Straits Trdg.	4.52	....
Tat Lee Bk	2.7	−0.02
UOB	4.36	+0.04

SOUTH AFRICA

May 14	Price Rand	+ or −
Abercom	1.55	+0.02
AE&CI	8.25	+0.25
Allied Tech	60.0	+2.50
Anglo Am Coal	43.25	....
Anglo Am Corp	29.02	+1.2
Anglo Am Gold	181.5	+8.5
Barclays Bank	18.25	+0.25
Barlow Rand	12.15	+0.15
Buffels	85.50	+3.00
CNA Gallo	2.8	....
Currie Finance	4.0	....
De Beers	10.65	+0.05
Driefontein	53.25	+0.25
FS Geduld	56.25	+2.25
Gold Fields SA	37.50	+2.25
Highveld Steel	4.00	+0.05
Nedbank	13.75	+0.40
OK Bazaars	14.25	+0.50
Protea Hldgs.	2.00	+0.05
Rembrandt	37.5	+0.5
Rust Plat	17.25	+0.15
Safren	16.50	+0.25
Sage Hldgs.	9	....
SA Brews	8.10	+0.25
Smith (AG)	24	....
Tongaat Hulet	7.1	....
Unisec	5.40	+0.15

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Gas 3pc 1990-95	£70	+1¼
Redemp 3pc 86-96	£76¼	+2¼
Treas. 2pc IL 1988	£112¼	+ ¼
Auto Products	69	+ 5
Burton	471	+14
French Kier	156	+ 7
Imperial Group	193	+ 4
Ingram (H)	135	+35
MFI Furniture	288	+ 8
Petrolex	88	+ 5
Pict Pet	160	+12
Rank Org	347	+ 7
Rowntree Mack	437	+12
Smith Bros.	120	+ 6
Stead & Simpson	216	+ 8
Ultramar	230	+ 8
FALLS		
Applied Comp	185	−15
Aran Energy	37	− 6
Burmah Oil	295	− 5
Cable & Wire	585	−15
Debenhams	307	−21
Diploma	188	−15
ICI	748	−12
Int Sig & Control	308	−13
Land Securities	297	−14
Minet Hldgs.	218	−14
Pentland Inds.	915	−33
Vickers	324	−10
Wit. Nigel	48	−20

Continued on Page 42

CANADA

TORONTO
Closing prices May 14

MONTREAL
Closing prices May 14

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 33

LONDON STOCK EXCHANGE

MARKET REPORT

Bright debut of BAe new shares coincides with turbulent market session

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Apr 29	May 9	May 10	May 20
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24

* "New-time" dealings may take place from 9.30 am two business days earlier.

Blue chip issues turned back *suddenly in London yesterday* after British Aerospace new shares had made their expected highly successful debut. Interest in the 200p-paid stock was sizeable, although business overall failed to meet the most optimistic anticipations. Buyers immediately seized the initiative with demand from disappointed *applicants,* including several smaller institutions, forcing the price up from an opening 242p to 253p before stag selling brought a close of 244p a first-day premium of 440p; BAe old shares finished 3 easier at 418p *ex-rights.*

Equity markets greeted the event enthusiastically. The FT Ordinary share index advanced to within three points of its all-time record and the FT-SE 100 share index attained a new peak. In a short space of time, however, the mood of the market changed. A wave of profit-taking brought a collapse in recent speculative favourites and the emphasis was on current take-over target **Debenhams.**

A terse statement from rival group **Burton,** long considered the most interested party, that it would not bid for Debenhams under present circumstances triggered considerable liquidation. Short-term holders rushed *to cut* their losses and the shake-out assumed more serious proportions as dealers slashed prices in order to avoid taking on stock. Consequently, Debenhams tumbled to 285p prior to settling 21 down on balance at *307p,* while Burton advanced 14 to 471p, after 480p.

Other high-flying stocks suffered heavy setbacks and it was thought possible that some top-quality industrials were sold to cover the losses incurred in *speculative issues. The market* remained nervous for the rest of the session but after the official 3.30 pm close, composure returned on the back of a firm Wall Street opening. Illustrating the erratic behaviour of equities, the FT Ordinary share index posted an opening gain of 4.7 only to stand a net 8.1 down at 3.00 pm before ending 4.6 lower on the day at 1,012.3.

Minet fall

Gilt-edged securities were guided more by equities than sterling, which continued to improve against the dollar. Renewed foreign support took values higher initially but when *it faded the gains were gradually* eroded or lost completely. A specialist European demand for Gas 3 per cent 1990-95 was much too heavy for a restricted market and the price jumped 1¼ points to 70; *of* similar coupon, Redemp*tion 1986-96 advanced in sympathy* to close 2¼ points up at 76¼.

Reports that total losses incurred by its Richard Beckett underwriting agency could exceed £130m depressed Lloyds broker **Minet,** which dropped to a new 1985 low of 216p before closing 14 down on balance at 218p. Others in the *sector* drifted easier in sympathy. **Willis Faber** relinquished 7 at 660p and **Hogg Robinson** gave up 5 at 289p. Elsewhere, **General Accident** touched 617p and finished a couple of pence dearer at 612p, after announcing a first-quarter deficit of £18m, at the lower end of the expected range. **Commercial Union,** due to report quarterly figures today, held the overnight level of 226p. **Sun Alliance** put on 12 to 470p and **Royals** gained 7 at 635p.

Reports that Argentina's pro*posed debt rescheduling package* with its foreign creditors was in jeopardy following the surprise liquidation of the country's third largest bank, unsettled the clearers. Buyers withdrew and sporadic bouts of profit-taking *left **Lloyds** 10 down* at 595p. **Barclays** lost the same amount to 385p, after 383p, while **Midland** gave up 7 to 358p, after 355p, *as did* **NatWest** to 678p.

Monday's announcement that Trafalgar House had acquired a *14.9 per cent in the company* from AMEC continued to excite **French Kier** which raced ahead to 162p prior to closing a net 7 up at 156p, a two-day advance of 26½. **Higgs and Hill,** in which Trafalgar also holds a stake, *closed* 4 better at 357p, after 363p. Elsewhere in the Building sector, timber group **John Carr (Doncaster)** continued to attract buyers pending the outcome of merger negotiations and added 3 more to 91p. On the other hand, *news of a* boardroom battle unsettled recently-firm **Phoenix Timber** which slipped 4 to 136p. The majority of leading issues lost momentum after a firm opening and eased back to close virtually unchanged, but *Tarmac* remained a firm market and closed 10 higher at the day's best of 560p.

Currency influences continued to affect **ICI** which drifted back to close 12 down at 748p.

Stead and Simpson up

Apart from the activity in Debenhams and Burton, leading Stores featured a *fair* trade in **Sears,** which touched 96½p in initial response to the 20 per cent *dividend increase* and better-than-expected annual profits before reacting on profit-taking to end a net penny easier at 93p. **Marks and Spencer** cheapened a couple of pence to 141p. Elsewhere, **Stead and** *Simpson "A" rose 8 more for* a two-day jump of 26 to 216p on continuing talk of an imminent bid from Ward White. **MFI** advanced 8 to 288p after the announcement that the merger with Associated Dairies would not be referred to the Monopolies Commission.

Leading Electricals failed to take the previous day's rally a stage *further,* but losses were usually limited to a few pence. **Thorn** *EMI* resisted the trend, however, and closed 8 up at 450p. Elsewhere, **Energy Services,** which stood at 106p at the 3.30 pm close, fell back sharply to 90p, down 5 on balance, following news that **Peek Holdings** had failed in its bid for the company. Peek ended 6 lower at 20½p. **Muirhead** were a parti*cularly weak spot,* reacting 32 to 162p on the surprise announcement that the board and its adviser had decided to recommend the offer from RHP.

Leading Engineerings followed the downturn with **Vickers** particularly weak at 324p, down 10, following the liquidation of speculative positions. Else*where, country buying* lifted **Birmingham Mint** 8 to 220p. Publicity given to a broker's circular prompted renewed firmness in **Baker Perkins,** which rose 4 more to 207p.

Takeover favourite **Rowntree** *Mackintosh regained the lime*light in Foods, rising 12 to 437p, after 443p, on a combination of U.S. and domestic buying amid rumours that Imperial Group may launch a bid. **Cadbury Schweppes** were 3 cheaper on *currency influences. Elsewhere,* **William Low** were quoted ex rights and firmed 6 to 627p; the new nil paid shares opened at 110p premium and moved up to 120p premium prior to closing at *117p premium.*

Grand Metropolitan fluctuated narrowly and settled a couple *of pence cheaper* at 308p awaiting today's *interim* results. Among other Hotels, **Kennedy Brookes** shed 4 to 278p following the rights issue in convertible loan stock.

Boc improve afresh

BOC Group, reflecting favourable comment on the interim figures, advanced afresh to close 9 dearer at 300p. Other leading miscellaneous industrials, however, *gave ground.* **BTR** *settled* 7 cheaper at 737p and **Beecham** 5 lower at 360p, while **Hanson Trust** finished the turn off at 227p. Elsewhere, **Diploma** continued to reflect the disappointing interim statement with a *further fall of 15 to 188p.* **Pentland,** a recent favourite, encountered persistent profit-taking and fell to 895p before rallying to close 33 down on the day at 915p. **Barham Group,** in contrast, were good again at 580p, *up 20, while* **Rank Organisation** put on 7 to 347p. Speculative demand left **Ryan International** 2¼ dearer at 19¼p and revived bid hopes prompted a gain of 3 to 86p in Marley. **Tranwood** gained a penny to 11¼p on the *preliminary figures,* while Ango Nordic improved 3 to 29p on acquisition news. On the other hand, **Applied Computer** met with sporadic selling and lost 15 to 185p. Overseas earners to give ground included **Christies** *International,* 10 lower at 590p, and **Cookson,** 8 down at 675p.

A couple of firm features emerged among Leisure issues. **Medminster** responded to demand in a limited market and closed 7 to the good at 190p, while revived interest was apparent for **Juliana's,** 10 higher at 218p.

Automotive Products featured Motor components, rising 5 to 69p, after 70p, on the order to supply suspension joints for *Mercedes cars. Elsewhere,* **Lucas Industries** continued firmly at 284p, up 3.

Land Securities annual profits were in excess of market estimates but the disappointing net asset value of 401p per share prompted a sharp reaction and the close was 14 lower at 297p. Other leading issues were also marked lower, **MEPC** finishing 9 down at 303p and **British Land** 3 off at 147p. **Hammerson A** gave up 10 to 445p and **Haslemere Estates** 6 to 494p. Elsewhere, **Markheath Securities** fell 12 to 58p following dismal annual figures and a proposed rights *issue, but* **Caparo Properties** hardened a couple of pence to 28p on news of a modest increase in preliminary profits. Revived demand in a restricted market lifted **Palmerston Investments** 35 to 360p.

In Textiles, **Harold Ingram** jumped 35 to 135p following revived speculative support in a *thin market.*

Rumours that the sale of its Howard Johnson motel and restaurant chain was imminent *helped* **Imps** advance to 197p before closing 4 higher on balance at 193p. **Bats,** however, fell 9 to 308p on currency considerations.

Stockjobbers **Smith Bros** returned to prominence among Financials, rising 6 to 120p as buyers began to show increased interest ahead of the preliminary *results,* announced *on May 30* last year.

BP firm

Business in the Oil majors expanded and **British Petroleum** rose 10 to 550p ahead of tomorrow's first quarter figures. **Ultramar,** three months' results scheduled for today, were 8 *better at 230p,* but **Burmah** encountered profit-taking and reacted to 288p prior to closing 5 lower on balance at 295p. Elsewhere, **Petrolex** gained 5 to 86p following the surprise agreed counter offer from **Aran Energy,** 6 down at 37p. **Saxon Oil,** which had also bid for Petrolex, moved up 15 to 455p. **Pict Petroleum** gained 12 to 160p on North Sea drilling hopes, but profit-taking clipped 15 from recent favourite **Caledonian Offshore,** at 475p.

Golds gain ground

made widespread progress with dealers reporting a much improved, albeit highly selective, business. Yet another dull *showing by the dollar prompted* a further advance by bullion, which rose $4.75 to $327 an oz.

Leading Golds opened firmer in London reflecting overnight bear closing on Wall Street. Continental sources, mainly centred *in Switzerland, proved* to be sellers for choice, but the offerings here were countered by steady support from Johannesburg where the Rand performed well against the dollar. A midday rally in the U.S. currency was short-lived as was consequent profit-taking and share prices reverted to the session's best levels.

Among top-quality stocks, **Randfontein** advanced 2 to £91, while gains of over a point were *noted in* **Western Deep,** *£38¾,* **Winkelhaak,** £28¼, and **Kloof,** £34¼. More marginal issues showed **Grootvlei** 28 higher at 735p, with **Stilfontein** a similar amount dearer at 685p. The FT Gold Mines index rose 14.2 to *511.3—a rise of 40.9 over the* past five trading sessions.

Witwatersrand Nigel, however, provided a rare dull counter, falling 20 to 48p in an extremely thin trade awaiting clarification of recent reports concerning the *company's accounts.*

Australians closed mixed. Firm initially in reflection of firmer domestic markets and bullion's buoyancy, share prices later encountered scattered nervous selling in front of Treasurer Paul Keating's *economic statement.* Leading resource stocks ended marginally lower, but Golds managed modest gains with **Emperor** 5 up at 227p and **Poseidon** a few pence dearer at 248p. **Sons of Gwalia** continued the recent advance, closing 4 up at 118p, while **Carr Boyd** put on 5 to 90p and **ACM** 2 to 93p.

Elsewhere, renewed support was evident for Canada's Hemlo gold camp partners; **Golden** *Sceptre rose 25 to 435p* and **Goliath** a like amount to 485p.

Demand for Traded Options remained relatively buoyant with total contracts struck amounting to 9,484. Once again, **British Telecom** accounted for a substantial *slice* of turnover with 2,186 calls, 513 in the August 140's, and 119 puts transacted. **Imperial Group** and **Commercial Union** attracted 668 and 639 calls respectively, 436 of the latter being struck in the July 240's. A lively business was also noted in the FT-SE 100 index contract with 435 calls and *706 puts done.*

FINANCIAL TIMES STOCK INDICES

	May 14	May 13	May 10	May 9	May 8	May 7	year ago
Government Secs	80.72	80.61	80.30	80.06	80.08	80.56	79.69
Fixed Interest	85.53	85.62	85.51	85.32	85.33	85.70	84.57
Ordinary	1012.3	1016.9	1001.9	991.1	988.5	985.8	876.0
Gold Mines	511.3	497.1	493.9	491.9	478.5	470.4	612.2
Ord. Div. Yield	4.68	4.60	4.56	4.60	4.61	4.63	4.44
Earnings, Yld.% (full)	11.35	11.28	11.45	11.57	11.59	11.63	10.33
P/E Ratio (net) (*)	10.73	10.80	10.64	10.53	10.51	10.47	11.68
Total bargains (Est.)	29,361	27,877	27,236	24,896	24,319	26,550	24,272
Equity turnover £m.	—	439.7	514.46	397.49	346.69	361.55	237.96
Equity bargains	—	25,923	21,246	22,865	21,863	22,064	16,003
Shares traded (ml)	—	288.8	229.7	217.6	180.0	176.5	145.1

10 am 1021.6. 11 am 1017.4. Noon 1012.3. 1 pm 1009.8.
2 pm 1009.5. 3 pm 1008.8.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.41.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.19 (22/4)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	928.7 (5/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	459.5 (25/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	May 13	May 10
Daily Gilt Edged Bargains	138.7	145.1
Equities Bargains	168.0	176.5
Value	888.7	1039.8
5day Average: Gilt Edged Bargains	144.7	142.7
Equities Bargains	155.5	148.6
Value	832.7	789.7

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (127)

BRITISH FUNDS (7)
CANADIANS (1)
BANKS (4)
BUILDINGS (12)
DRAPERY & STORES (9)
ELECTRICALS (2)
ENGINEERING (5)
FOODS (6)
INDUSTRIALS (15)
INSURANCE (6)
LEISURE (2)
MOTORS (4)
NEWSPAPERS (1)
PAPER (2)
PROPERTY (6)
SOUTH AFRICANS (2)
TEXTILES (4)
TRUSTS (21)
OILS (3)
MINES (15)

NEW LOWS (28)

AMERICANS (5)
Cont Illinois — Microcomptr. Mems.
Dana Corp. — TRW Inc.
Derma-Lock Medical
CANADIANS (2)
Bank of Nova Scotia — Royal Bk. of Canada
BANKS (2)
Rothschild (J.) — Suthern Bus. Lsng.
CHEMICALS (1)
Coates Bros. A N.V
STORES (1)
Gee Rosen
ELECTRICALS (2)
Micro Focus — Renshaw
FOODS (1)
Banks (Sidney C.)
INDUSTRIALS (2)
Dalgety — *Kean & Scott*
INSURANCE (1)
Minet Hldgs.
PROPERTY (2)
Laing Prop. 8¼pc Ln. 2000-05 — Markheath
TEXTILES (2)
Nottingham Mfg. — Sirdar
TRUSTS (4)
Cambrian Genl. Cap. — Authority Inv.
Japan Assets 4½pc Cnv. Ln. 1994 — Barrie Inv. & Fin.
OILS (1)
Bristol Oil Minerals
OVERSEAS TRADERS (1)
Inchcape
MINES (1)
Wit. Nigel

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	51	17	39
Corpns, Dom. and Foreign Bonds	20	4	51
Industrials	269	327	852
Fin. and Props.	147	111	290
Oils	28	25	72
Plantations	0	1	16
Mines	74	26	80
Others	77	62	97
Totals	666	573	1,497

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Burmah Oil	27	300	+44
British Telecom	26	164	+ 7
French Kier	22	149xd	+19½
Pentland Inds	21	948xd	+45
BTR	20	744	+14
Brit Aerospace	18	436	+18
Royal Insurance	16	628	+ 8
Debenhams	15	328	+11
Cable & Wire	14	600	+25
Grand Met	14	310	+10
GUS A	14	823	+11
Hill Samuel	14	292	+17
BAT Inds	13	317xd	+ 8
ICI	13	760	− 5

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‖‖ Introduction. ⁂ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). ‡ Units comprising 4 Ord., 1 Warrant and £1.00 of 12½ per cent Uns.Ln. stk. 1995-99.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 7	May 17	Aug 8	Aug 19
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23

For rate indications see end of Share Information Service

Call options were taken out in Phoenix Timber, Sears, Selincourt, Hampton Trust, Southwest Resources, Stead and Simpson A, Sangers, CPU Computers, Tricentrol, Caledonian Offshore, F. H. Lloyd, British Telecom, Jaguar, Energy Capital, Aspinall, Hawtin, Eagle Corporation and Birmid Qualcast. No puts were reported, but a double option was done in *Birmid Qualcast.*

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BOC	300	+ 9
British Aerospace	244	—
British Telecom	163	− 1
Burmah Oil	295	− 5
Burton	471	+14
Debenhams	307	−21
Energy Services	90	− 5
French Kier	156	+ 7
Pentland Inds	915	−33
Pict Petroleum	160	+12
Royal Insurance	635	+ 7
Vickers	324	−10

† Partly-paid

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues May 14 1985 — Mon May 13 — Fri May 10 — Thur May 9 — Year ago (approx.)

Figures in parentheses show number of stocks per section

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 31,025

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*550)	460	105	117	—	4	7	—
	500	67	82	87	5	12	16
	550	30	46	60	20	27	33
	600	8	18	30	55	58	63

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*191)	160	33	40	—	1	2	—
	180	13	23	27	1	6	9
	200	3½	14	18	10	15	19
	220	0½	6	9	29	31	34
LASMO (*300)	293	15	33	47	6	13	19
	323	4	21	33	25	35	40

May 14, Total contracts 9,484. Calls 7,441. Puts 2,043.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	1985 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅞	99 1/16	Treas 11½pc 1985	99 13/16	.....	11.59	12.71
98 11/16	97⅜	Treas 8¼pcCnv '85	98 11/16	+ 1/16	8.86	12.47
101 11/16	99 3/16	Exch. 12¼pc 1985	100xd	.....	12.25	12.18
101 3/16	99 3/16	Exch. 11¼pc '86	99 11/16	.....	11.77	11.90
99½	97 1/16	Treas. 10pcCnv 1986	98 1/16	+ 1/16	10.16	11.81
94⅞	92¾	Treas 3pc 1986	94⅞	+ 1/16	3.16	8.40
100	97½	Exch. 10½pc Cv '86	98 11/16	.....	10.63	11.78
101⅞	99¼	Treas 12pc 1986	100¼xd	.....	11.97	11.80
97 3/16	94⅛	Treas 8¼pc 1984-86‡‡	96⅞	+⅛	8.77	11.45
105 3/16	102 3/16	Exch. 14pc 1986	102 13/16	.....	13.60	11.71
92 3/16	87¼	Exch. 2½pc 1986	92 3/16xd	+⅛	2.71	8.05
104 1/16	101¼	Exch. 13¼pc 1987	102¼	.....	12.96	11.69
99½	96⅝	Treas 10¼pcCv '87	97⅞	+ 1/16	10.47	11.59
90 1/16	85½	Exch 2½pc 1987	90 1/16	+ 1/16	2.78	8.62
99 3/16	96⅛	Exch. 10½pc 1987	98⅛	–⅛	10.70	11.60
93	89	Funding 6½pc '85-87‡‡	92⅜	.....	7.04	10.91
98½	95½	Treas. 10pc 1987	97 1/16	.....	10.30	11.66
88 3/16	84⅝	Treas 3pc 1987	88 3/16	+ 1/16	3.39	8.98
102 11/16	99⅛	Treas. 12pc 1987	100⅜	.....	11.91	11.61

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

550	450	Cons. Murch. 10c	450	....	†Q100c	1.4	10.8
40	28	♦Essex Inl. Ir 10p	34	.	—	—	—
117	73	♦Greenwich Res. Inc.	90		—	—	—
215	157	Hampton Areas 10p	197	..	3.75	2.1	2.6
260	160	♦Highwood Res.	175	−2	—	—	—
£22½	£18	Homestake Mining $1	£20¼	+½	Q20c	—	0.8
310	190	♦McFinley Red Lake	250	−10	—	—	—
300	195	♦Mosto Explorations	265	+5	—	—	—
55	23	♦New Sabina Res C$1	45	....	—	—	—
375	260	Northgate C$1	325	−10	—	—	—
685	581	RTZ	618xd	−4	20.0	2.7	4.6
£145½	£129	Do. 9½pcLn '95-2000	£132½xd	−½	Q9½%	14.0	†7.4
£13⅞	£10	♦Tara Expln $1	£13¼	−⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	100	....	Arnott	169xd	....
Craig & Rose £1	£9	....	CPI Hldgs	50	....
Finlay Pkg. 5p	59xd	....	Carrol Inds.	118½	....
Higsons Brew	157	....	Dublin Gas	52	....
Holt (Jos) 25p	750xd	....	Hall (R. & H.)	55	....
IoM Stm. £1	87	−3	Heiton Hldgs.	15	+1
IRISH			Irish Ropes	43	....
Exch. 12% 1985	£100	....	Jacob (W.& R.)	71xd	....
Nat. 9¾% 84/89	£90	....	Unidare	83	....
Fin. 13% 97/02	£98¼	....			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT.	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	38	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk.	68	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons.	18
FNFC	8½	Rank Org Ord.	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho.	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	28		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 34

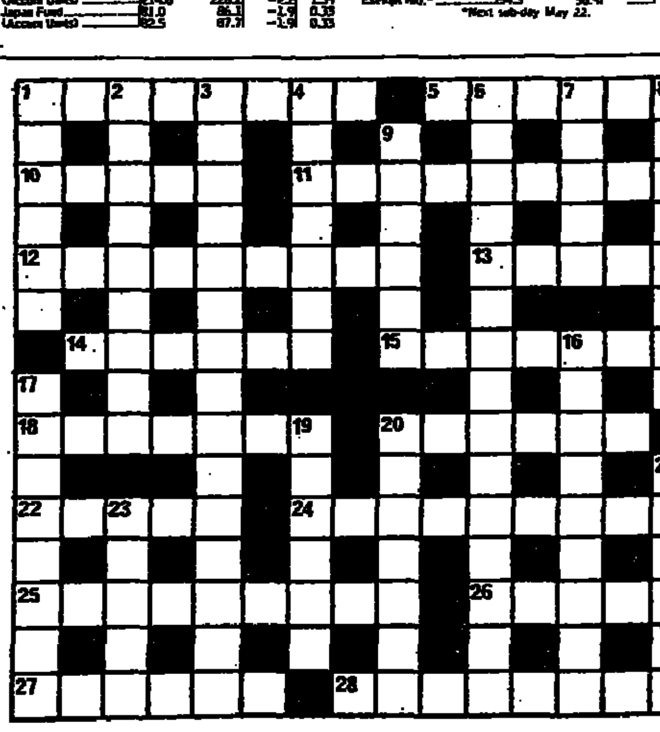
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

Hill Samuel Unit Tst. Mgrs.† (a)
45 Beech St, EC2P 2LX. 01-628 8011

(b) British Trust	441.2	476.6xd	+1.2	3.53
(b) Capital Trust	77.5	82.5	...	2.90
(g) Dollar Trust	157.6	167.7xd	-1.0	2.64
(g) European Trust	61.9	65.9	-0.3	1.50
(g) Far East	86.0	91.5	-1.1	3.11
(b) Financial Trust	263.8	280.7	+0.5	2.59
(b) Gilt & Fxd Int Inc	27.3	28.4	...	10.42
(b) Gilt F.I. Growth	36.9	38.4	+0.1	3.64
(b) High Yield Tst	50.4	53.7	...	6.53
(b) Income Trust	61.8	65.8xd	-0.1	5.26
(g) Int'l Trust	92.7	98.7	-0.4	3.17
(g) Japan Tech Tst	26.2	27.9	-0.6	0.62
(g) Nat. Resources Tst.	34.5	36.8xd	...	2.27
(b) Security Trust	142.5	151.6	+0.2	3.34
(b) Smaller Cos Tst	57.9	61.7xd	+0.1	1.56
(b) Spec. Sits. Tst	81.8	87.1	-0.1	1.78

F.T. CROSSWORD PUZZLE No. 5,718



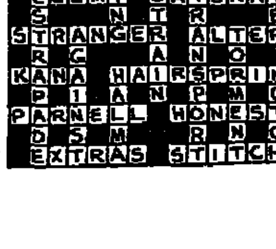
ACROSS

1 Blushed, having strong element of fiction (8)
5 With doubt, as with the philosopher (6)
10 A volt applied to mixture that's worn (5)
11 Hill I'd put with Eastern variety, showing dullness (9)
12 Rousts about with tip, gives beating (9)
13 Went down in the Church? (5)
14 Bill with tax for entering (6)
15 Egg to be worthy of salt? (7)
18 How Lamb tried! (7)
20 Firm house, right for warriors? (6)
22 Plant is shut up to apply pressure (with friction?) (5)
24 Looking forward to the sauce? (9)
25 Condescending manner of two people having to get old (9)
26 Lean middle of gun to form parts of arms (5)
27 It's knotty when there's no medicine (6)
28 Biased left or right? (3-5)

DOWN

1 Youth could be in local lowlands (6)
2 Visit uncle (no name) to change book (9)
3 Deeply involved in somewhere near the Temple? (2, 2, 3, 8)
4 Race applications head off the watchers? (7)
6 Man won't change—doesn't let his arms go (6, 2, 3, 4)
7 First and last, river is blue (5)
8 Packets of cigarettes in the old days (8)
9 Porn is possibly cause of this (6)
16 One in 9 could have been (9)
17 *The television's on attacks?* (4, 4)
19 University cattle (6)
20 The company Ellen rarely keeps (an Irish girl) (7)
21 It's accepted this is a gluttony (6)
23 Criticised worn tread (5)

Solution to Puzzle No. 5,717



INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Tyndall Assurance/Pensions
18, Canynge Road, Bristol. 0272 732241

3-Way		295.3	
Do Pens.		371.9	
Equity		392.3	
Bond		301.1	
Property		189.0	
Overseas Inv.		164.0	
UK Inv.		366.1	
Deposit		208.5	
Man Pen 3-W		410.6	
Equity Pen.		685.4	
Bond Pen.		391.4	
Prop. Pen.		192.5	
Dep. Pen.		286.6	
New Series (z)			
U.K. Equity	187.1	197.0	+2.6
Nth American Eq.	154.4	167.0	
Far East Eq.	205.7	216.6	
Fixed	145.9	153.6	+0.4
Cash Deposit	113.9	119.9	
Property	101.0	106.4	
Special Opp.	228.0	240.0	+4.5
Managed	173.0	182.2	+0.5
Index Linked Fund	109.6	115.4	+0.4
Star Mngd 1			
Star Mngd 2	152.0	160.0	+0.7
Star Mngd 3	163.0	171.6	+0.6
Star Mngd 4	152.9	161.0	+0.6
Star Mngd 5	158.7	167.1	+0.4
Star Mngd 6	142.9	150.5	+0.9
Star Mngd 7	141.6	149.1	+0.6
Pension New Series (z)			
UK Equity (Acc)	199.6	210.2	+3.1
N. Amer (Acc)	161.1	169.6	-0.1
F. East Eq (Acc)	207.5	218.5	
Fixed Int (Acc)	152.3	160.4	+0.6
Cash Deposit (Acc)	123.4	129.9	
Property (Acc)	107.7	113.4	
Index Link (Acc)	117.9	124.2	+0.4
Managed (Acc)	179.7	189.3	+0.9

UK Life Assurance Co Ltd
Royal Albert House, Windsor, SL4 1BE 95-68144

Hedge Fund	215.9	227.3	
Takeover Fund	197.0	207.4	

Vanbrugh Life Assurance

[illegible]

Capital International Fund S.A.
43 Boulevard Royal, Luxembourg

Capital Int. Fund	$36.40	–	–	–

Capital Preservation Fund Intl.
14 rue Aldringen, Luxembourg 1118

Cap Pres Fund	$11.31	–	+0.01	

Cater Allen Investment Management (C.I.)
29a Broad St, St Helier, Jersey, CI. 0534 78898

CA Dollar Inc. Fd.	$10.30	10.32	–	10.47
CA Gilt Eng Fd	£12.28	12.34	–	11.47

Charterhouse Japhet
1 Paternoster Row, EC4. 01-248 3999

Enterprise Fund	$9.29	9.68	–	–
Euro Global Inc Fd	$39.28	41.27	–	4.73

Charterhouse Japhet Currency Mngt. Ltd.
PO Box 189, St Helier, Jersey 0534 74689

Central Assets Currency Funds Ltd.

£ Sterling	£11.74	+0.40	12.54
US$	$13.24	+0.01	8.53
D Marks	DM46.33	+0.01	5.40
Sw Francs	SF42.17	+0.01	3.72
Fr Francs	FFR146.17	+0.04	10.61
SDR's	127.85	+0.079	0.757

For Chawton Commodities (IoM) see Normandy Trust Managers

Citibank (CI) Ltd "Citifunds"
Green Street, St Helier. 0534-70334

U S $ Fund	$11.824	+0.003	8.163
£ Sterling Fund	£5.918	+0.002	11.919
Deutsche Fund	DM21.480	+0.006	4.862
Swiss Francs	SF20.607	+0.002	4.332
Japanese Yen Fund	Y2705.533	+0.325	5.374
Managed Fund	$11.040	+0.010	–
"Criticare"			
Criticare Fund April 30	12.765	–	–

Commodity Advisory Service (IoM) Ltd
48 Athol Street, Douglas, IoM. 0624-20845

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$10.91	–	–	–

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.55	–	+0.11	–

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.40		–	-0.01
Dynamic Gwth Fd		$8.43	–	-0.05

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.5	–	–	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.50	9.35	13.09	6mth
7-day Fnd	12.67	9.47	14.08	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.12	9.06	13.36	6-Mth
7-day Fund	12.36	9.24	13.64	6-Mth
Dollar	6.87	–	–	6-Mth
Money Mngt. Acct.	12.125	–	–	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Current Acc.	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	12.50	9.34	14.03	Qtr
Mth. Int. Chq.	12.375	9.25	14.05	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	12.05	9.00	13.40	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.00	13.49	Qtr
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	12.06	9.03	13.426	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.375	9.25	13.79	Mth
U S. Dollar	8.00	6.98	8.30	Mth
German Marks	5.0	4.73	5.12	Mth
Swiss Francs	3.00	1.50	2.02	Mth
Japanese Yen	5.00	3.74	5.12	Mth
Citibank Savings St. Martins Hse, Hammersmith Grove, W6 0NY 01-748 9251				
Cheque Plus	–	10.00	14.83	
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543 Ex 464				
£500-£2,500	11.0	8.22	12.11	Qtr
£2,500 +	13.00	9.72	14.40	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	12.75	9.53	14.37	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	12.75	9.53	14.49	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	12.05	9.00	13.40	Mth

OFFSHORE AND OVERSEAS

[illegible]

NOTES

[illegible]

COMMODITIES AND AGRICULTURE

World sugar production estimates are raised

WEST GERMAN sugar statistical agency F. O. Licht has raised its world sugar production forecast for 1984/85 (Sept/Aug) to 100.85m tonnes against 97.95m estimated in late January. It puts 1983/84 output at 96.39m tonnes.

In its third estimate of 1984/85 production, Licht put output in the Soviet Union at 8.8m tonnes compared with 8.2m in its second estimate and 8.76m in 1983/84.

Cuban production is estimated at 8.2m tonnes against 8m and 8.33m. The EEC forecast is also raised at 13.28m against 13.24m and 11.7m in 1983/84.

● The Indian Food Ministry has signed contracts to import 700,000 tonnes of sugar for delivery by July and may import more.

The State Trading Corporation of India (STC) has signed the contracts since March to overcome a domestic shortage, the Ministry told Reuters, and added that the government will not hesitate to import further sugar above contracted 700,000 tonnes to ensure its adequate availability for internal consumption.

India imported 500,000 tonnes of sugar in 1984, its first imports in three years, to overcome a slump in production to 5.89m tonnes in 1983-84 from 8.23m in 1982-83 due to drought.

● World copra production in the 1984-85 (October-September) season is likely to reach 4m tonnes, up from 3.67m last season, but will still be well below the 10 year average of 4.6m tonnes, the Hamburg-based newsletter Oil World said.

Coconut oil output is estimated at 2.25m tonnes against 2.23m in 1983-84.

The Philippines appear to have overcome the effects of the severe 1982-83 drought and copra production could reach 1.8m tonnes from 1983-84's 1.6m. Average Philippine output, however, is between 2.4m and 2.6m tonnes, Oil World said.
Reuter

● World rice production in 1984 rose to an estimated 470m tonnes, an increase of 20m tonnes over 1983, according to the UN Food and Agriculture Organisation.

Sterling's rise pushes base metals lower

BY RICHARD MOONEY

STERLING'S continued strength against the dollar pushed London Metal Exchange (LME) base metals prices lower again yesterday. The biggest fall was in the aluminium market which lost £13 in the cash position to £876.50 a tonne. This was entirely due to the currency factor—in dollar terms the price was up about $5.

The copper market fall was cushioned by covering against earlier short sales. The three months high grade quotation moved about £12 lower in the morning, but by the close had recovered to £1,207.75 a tonne, down only £2.75 on the day. A £5.5 fall in the cash price to £1,221 a tonne was well below the level required to reflect fully the rise in the value of the pound.

Tin's decline was also less than might have been expected, thanks mainly to support buying on behalf of the International Tin Agreement (ITA) buffer stock. This kept the decline in the cash standard tin price to £48 at £9,415 a tonne. In Kuala Lumpur the Straits tin price regained another 4 Malaysain cents of its recent fall, but at M$28.81 it remained below the ITA "floor" price, which was breached at the end of last month when the buffer stock manager temporarily halted support buying.

Zinc was the only base metal to defy the general downward pressure. Trade and speculative buying helped the cash position to regain £1.50 of Monday's £17 fall at £665 a tonne.

In New York a metal workers' union official said labour contract negotiations between St Joe Resources, a subsidiary of Fluor Corporation, and workers at its Herculaneum, Missouri, lead smelter, are scheduled to resume on Friday.

● Weekly metal prices as supplied by Metal Bulletin:
ANTIMONY: European free market, 99.6 per cent, $per tonne, in warehouse, 2,650-2,750.
BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.20-5.50.
CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.80-0.85, sticks, 0.84-0.90.
COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.40-11.50.
MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 285-295.
MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo in warehouse 3.73-4.00.
SELENIUM: European free market min. 99.5 per cent $ per lb in warehouse 6.60-7.20.
TUNGSTEN ORE: European free market standard min: 65 per cent $ per tonne unit WO_3, cif, 68-72.
VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.32-2.36.
URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 14.25.

Philippines bans seed imports

The Philippines Ministry of Agricuture and Food yesterday imposed a ban on imports of vegetable seed for commercial cultivation in order to save foreign exchanges. The prohibition covers radish, lettuce, mustard, eggplant, tomatoes, pepper, lettuce, cucumber and other seeds. Excluded from the ban are seeds used in breeding and research, as well as those not available locally.

The Ministry did not say whether the ban would conflict with government commitments to the World Bank and the International Monetary Fund to allow a freer flow of trade.

In line with the commitments, the Government has already lifted price control on farm products except rice,

China tea soars after cold spring

Chinese tea prices have soared as much as 40 per cent this year because of a sharp decline in production following an abnormally cold and rainy spring, the government in Peking said yesterday.

The official news agency, Xinhua, said tea bushes in Zhejiang and Anhui provinces, the main tea-producing regions, sprouted late because of the weather and picking was delayed.

Last month tea purchases by state-run commercial departments dropped 60 per cent compared with the same period in 1984, the agency said, and the decline may affect exports.

Big increases have been reported in prices of high-grade teas, it said. No specific prices were disclosed, but some quality teas have quadrupled in price.

China is the third-largest tea producer next to India and Sri Lanka and exported 139,300 tons of tea in 1984, accounting for 12 per cent of the world total.

Pakistan seeks supplies of soyabean oil

Pakistan is expected to invite tenders for the supply of about 67,000 tonnes of soyabean oil this week, according to officials in Islamabad.

The oil is expected to cost nearly $50m at the present price level, and will be financed under the U.S. PL-480 aid programme.

Islamabad bought 47,000 tonnes of edible oil between January and mid-March this year, for the state-owned Ghee Corporation of Pakistan. The first purchase of 20,000 tonnes in January, was priced at $679.39 a tonne. A similar quanity was bought in February at $699.45 a tonne, and 17,000 tonnes were purchased in March.

Alongside the state sector plants the private sector is also engaged in manufacturing cooking oil. Malaysian palm oil has recently been bought by private concerns from Singapore-based companies, against each payment or loans from the Jeddah-based Islamic Development Bank.

Growing anxieties in coffee

Sarita Kendall reports on the problems facing Colombia

COLOMBIA'S high level of coffee production has been a heavy burden in recent years. The cost of buying up the harvest and warehousing stocks equivalent to a year's crop is a steady drain on the National Coffee Fund's depleted resources. But it looks as though the combination of new measures and coffee rust disease is beginning to have an effect on output. Some growers fear that the trend could even endanger export levels in the future, though economic policy makers welcome it.

When, at the end of the 1970s, Colombia's annual production first jumped to more than 12.5m bags (60 kilos each), exports were booming and there was little left over to store away. Since then foreign sales have dropped to 10m bags or less, while the local market only absorbs about 1.7m bags. At the beginning of 1985 stocks stood at 12.2m bags — hence Colombia's special concern about irregularities in the world market, and sales to countries outside the International Coffee Agreement (ICA) at knock-down prices when ICA export quotas are not being filled on time.

Stocks would have been even higher but for heavy rains and cloudy skies which damaged the main end-of-year harvest in the heart of Colombia's coffee growing country, and brought 1984 production down to 11.5m bags. The coffee growers' federation, Fedecafe, estimates the 1985 crop at about 12.5m bags, and is using a variety of policy tools to try to keep production at a lower level.

One important change is attention being given to the renewal of coffee plantations, with credit available at subsidised interest rates. This brings down the number of trees in production while maintaining the country's potential. Senor Gilberto Arango Londono, President of the Coffee Exporters Association, says Colombia's rate of renewal was very low compared with other countries, and the decision to speed up the process is already showing results.

The coffee federation is also investing in a large-scale diversification programme designed to persuade farmers to switch from coffee to other crops. Until recently diversification meant finding ways to supplement growers' incomes in marginal coffee areas, but now the aim is to replace more than 30,000 hectares of coffee with fruit trees, sugar cane, cocoa and pasture. In addition, 50,000 hectares of land in coffee growing areas are to be reaforested.

The World Bank is contributing a $50m loan and, in all, more than $300m is being allocated to the five year programme. Not only will coffee output be reduced, but new products such as canned tropical fruits will be developed for export. In a recent survey, Fedecafe found that about a third of the country's coffee farmers were keen to try other crops.

Such interest in diversification reflects the fact that coffee is no longer the trouble-free, high income crop of the bonanza years of the 1970s. "Technification" has made it much harder for the peasant grower to keep up, and yields of traditional varieties, sown among tall shady trees, may be less than a third of the yield in a modern Caturra plantation. Producers say that domestic coffee prices lag behind increasing costs, and their debts are mounting.

The appearance of coffee rust in 1983 raised production costs further, though the fungus has so far spread to less than five per cent of the 1m hectares planted with coffee. Colombia was prepared for its inevitable arrival and the National Coffee Fund contributes generously to spraying, but for the longer term Fedecafe's pinning its hopes on a new rust resistant hybrid. This "Colombia" variety is similar to the Caturra tree that now accounts for more than 60 per cent of the country's production.

Experts believe, however, that many unknowns still surround the Colombia hybrid, and only experience will prove whether quality and productivity, as well as resistance, can be maintained. The investment needed for a complete changeover would be enormous, and at the present rate of 10,000 hectares a year, would take a long time.

Coffee still provides more than 57 per cent of Colombia's exports ot International Coffee to boost other products. In 1984 exports to Internationel Cofffe Organisation (ICO) members were up to 9.4m bags, and sales to non-ICO countries increased to 0.8m bags, with total earnings of $1.43m. West Germany and the United States are by far the most important ICO buyers, while Argentina and Algeria have become Colombia's main non-ICO markets. Exports to the UK. Leapt from 19,000 bags in 1980 to 276,000 bags in 1984 and continue to rise. Fedecafe is normally responsible for just over half of foreign sales, and private exporting companies for the rest.

Colombia's exporters have rejoiced over the growth in coffee consumption in the U.S. and Japan, but they are realistic about future sales prospects Fedecafe's manager, Jorge Cardenas, puts market stability and discipline above other considerations, and though Colombia would like to see stocks included as a criterion for calculating quotas, there is no interest in undermining the pact by taking advantage of other producers' problems.

Welsh farmers demand fresh poll

BY ROBIN REEVES

THE FARMERS' UNION of Wales has called for a re-run of the Milk Marketing Board poll on changing the producers' voting system because of what it described as the "incomprehensible and totally misleading" manner in which the issue is being put to producers.

FUW leaders say that they have been inundated with queries from milk producers unable to understand the way the question has been worded on the votinug form. Mr Huw Hughes, FUW president, has written to the Board demanding a re-run of the poll, due to be completed on June 7.

Instead of asking a straightforward question as to whether producers are either in favour of changing to a one-producer one-vote system, or keeping the current weighted system, which gives each producer in MMB elections one vote plus one for every ten cows in his or her herd, the question reads:

"Whether the amendments to the scheme sought by the Board concerning voting procedures and published by them in the February 1985 edition of the 'Milk Producer' be submitted to the Ministry of Agriculture, Fisheries and Food and the Secretary of State for Wales. Please answer 'yes' or 'no'."

A referendum of milk producers last autumn voted overwhelmingly in favour of a change to one-producer one-vote, reflecting dissatisfaction with the MMB's policy towards the threat of EEC milk output curbs. The Board was widely felt to have sought to protect its large rather than small producers from the cuts.

The new poll represents a rearguard action by larger producers against the change. Voting is taking place under the weighted system which means that, in practice, two thirds of producers responsible for two thirds of milk output, must support the change if it is to be implemented

UK oilseed processing still in decline

Oilseed processing and refining in the UK declined further in 1984, the Seed Crushers and Oil Processors Association (Scopa) said.

The total tonnage of seeds crushed fell 12 per cent and output of crude oils by 4 per cent, compared with 1983. The operating level of the British industry was one-third down on the peak year of 1980. Scopa said the main factors were the rationalisation in operations of many major companies and an unusually low level of world soyabean supplies.

LONDON MARKETS

BASE METALS

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	876-7	—13	879.5/878
3 months	899-.5	—10.5	905.5/899

Official closing (am): Cash 880-1 (890-1); three months 901.5-2 (910.5-11.5); settlement 881 (891). Final Kerb close: 898-9.5. Turnover: 11,900 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	£1220-22	—5.5	1214/1212
Three m'nths	£1207.5-08	—2.75	1212/1192

Official closing (am): Cash 1,214-5 (1,227-8); three months 1,210.5-2.5 (1,208-9); settlement 1,215 (1,229). Final Kerb close: 1,205-6.

Cathodes			
Cash	£1202-7	+1.5	1195/1195
Three m'nths	£1200-3	+3.5	—

Official closing (am): Cash 1,194-6 (1,197-1,202); three months 1,193-5 (1,193-8); settlement 1,196 (1,202). Turnover: 23,575 tonnes. U.S. Producer prices 70.00-74.00 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£297.5-8.5	—2.25	301/298
3 months	£300-.5	—3.25	303/296

Official closing (am): Cash 298-.5 (301-2); three months 299-.5 (305-5); settlement 298.5 (302). Final Kerb close: 300-0.5. Turnover: 7,250 tonnes. U.S. Spot: 20.0-21.0 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£4415-25	—15.	4448/4440
3 months	£4385-90	—35	4422/4365

Official closing (am): Cash 4,440-5 (4,430-5); three months 4,415-20 (4,420-5); settlement 4,445 (4,435). Final Kerb close: 4,363-65. Turnover: 1,128 tonnes.

TIN

High grade	Unofficial close (p.m). £ per tonne	+ or —	High/low for day
Cash	£9425-30	—35.5	—
3 months	£9410-15	-48	—

Official closing (am): Cash 9,440-5 (9,458-65); three months 9,425-30 (9,465-70); settlement 9,445 (9,465).

Standard			
Cash	£9410-20	—48	9410
3 months	£9410-5	—46	9485/9380

Official closing (am): Cash 9,440-2 (9,458-60); three months 9,414-5 (9,443-5); settlement 9,442 (9,460). Final Kerb close: 9,395-9,400. Turnover: 1,540 tonnes. Straits tin $M28.81 (28.77) kg.

ZINC

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£664-5	+1.5	—
3 months	£664-5	+1	670/655

Official closing (am): Cash 670 2 (658-9); three months 670.1 (658-.5); settlement 672 (659). Final Kerb close: 664-5. Turnover: 11,300 tonnes. U.S. Prime Western: 48.50-47.75 cents per pound.
lb.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	May 14 1985	+ or —	Month ago
Aluminium	£1100	....	£1100
Free Mkt	$1145/175	....	$1155/165
Copper			
Cash h Grade	£1221.0	—5.5	£1199
3 mths	£1207.7	—2.75	£1184.5
Gold troy oz	$327.0	+4.75	$326.25
Lead Cash	£298.0	—2.25	£313
3 mths	£300.25	—3.25	£309.5
Nickel			
Free Mkt	249/279c	+5.0	238/268c
Palladium oz	$114.40	+0.85	$114.25
Platinum oz	$284.75	+5.75	$285.75
Quicksilver†	$280/290	....	$280/290
Silver troy oz	515.80p	+9.05	517.15p
3 mths	530.90p	+9.00	532.15p
Tin cash	£9415	—48.0	£9526
3 mths	£9402.5	—4.85	£9497.5
Tungsten	$74.35	....	$77.70
Wolfram 22 04lb	$68/71	....	$74/78
Zinc	£665	+1.5	£708
3 mths	£664.5	+1.8	£699.5
Producers	$960	....	$996

OILS	May 14 1985	+ or —	Month ago
Coconut (Phil)	$720	—25	$820
Palm Malayan	$650	....	$650
SEEDS			
Copra Phil	$450x	—20	$490
Soyabean (U.S.)	$242.25	—2.5	$249.75
GRAINS			
Barley Fut. Sep	£99.20	....	£98.40
Maize	£150.00	—0.5	‡
Wheat Fut. July	£122.70	—0.4	£123.40
No. 2 Hard Wint.	‡	....	‡
OTHERS			
Cocoa Ft. July	£1842.5	—13	£1887.5
Coffee Ft. July	£2105.5	—33.5	£2097
Cotton A Index	66.40c	....	65.85c
Gas Oil July	$217	+2	$225.5
Rubber (kilo)	64p	—1	66p
Sugar (raw)	$88x	+3	$104.5
Wooltops 64s	486p	....	465pkil

‡ Unquoted. x May-June. z June. † Per 76-lb flask. c Cents a pound.

GOLD

Gold rose $4½ an ounce from Monday's close in the London bullion market yesterday to finish at $326¾-327¼. The metal opened at $323¼-323¾ and traded between a high of $327¾-328¼ and a low of $323-323½. A firmer trend in the afternoon reflected renewed dollar weakness although demand slackened after the afternoon fixing as the market awaited further U.S. economic data. resistance levels of around $320.

GOLD BULLION (fine ounce) May 14

Close	$326¾-327¼	(£257-257½)
Opening	$323¼-323¾	(£256½-257)
M'ni'g fix.	$324.75	(£256.922)
Aft'n'nfix.	$326.50	(£258.409)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$337-337½	(£266-266½)
½ Krug.	$173¾-174¼	(£136¾-137)
¼ Krug.	$88¾-89¼	(£69¾-70¼)
1/10 Krug.	$36¼-36¾	(£28½-29)
Mapleleaf	$337-337½	(£265-265½)
New Sov.	$77½-78	(£61-61¼)
½New Sov	$46¾-47¼	(£46¾-37¼)
Old Sov.	$78-79½	(£61¼-62½)
$20 Eagle	$440-480	(£346-377½)
Noble Plat	$292½-295¾	(£230-232½)

SILVER

Silver was fixed 9.05p an ounce higher for spot delivery in the London bullion market yesterday at 515.80p. U.S. cent equivalents of the fixing levels were: spot 653.5c, up 18c: three-month 666.05c, up 18.3c; six-month 680c, up 17.9c; and 12-month 711.35c, up 19.4c. The metal opened at 518½-521½p (653-656c) and closed at 523½-526½ (666-669c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	515.80p	+9.05	522p	+2.55
3 months	530.90p	+9.00	536.25p	+3.25
6 months	546.50p	+8.55	—	—
12months	575.65p	+9.75	—	—

LME—Turnover: 63 (105) lots of 10,000 oz.
Cash high-low 517.5; three months high 538, low 533, final Kerb 535.5-7.

FREIGHT FUTURES

The market opened slightly easier and levels drifted down over the morning, albeit on good two-way trading. Persistent selling developed late in the afternoon, reports Clarkson Wolff. The Baltic Freight Index was 1,018, down 6 points.

	Close	High/Low	Prev.
July	910/920	930/910	930/935
Oct.	953/955	975/951	977/979
Jan.	940/946	962/952	964/968
April	980/1010	1046/1035	1050/1075
July	926/944	951/945	965/970
Oct.	1015/1035	—	1050/1080
Jan.	1000/1070	—	1158/1185
April	1100/1180	—	1200/1225

Turnover: 190 (215).

GRAINS

Both old crop markets remained very dull and drifted in featureless trading, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
May	119.65	—0.55	114.20	—0.70
July	122.70	—0.40	—	—
Sept.	99.80	—0.20	99.20	—
Nov	103.00	—0.20	102.65	—
Jan	106.55	—0.25	106.25	—
Mar	110.60	—0.40	109.45	—

Business done—Wheat: May 119.70-9.60, July 123.05-2.65, Sept 99.80-9.75, Nov 103.00-2.95, Jan 106.75-6.55, Mar 109.90-9.60. Sales: 45 lots of 100 tonnes. Barley: May 114.40-4.20, Sept 99.20 only, Nov 102.70 only, Jan 106.30-6.25, Mar 109.50-9.45. Sales: 42 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent June 149.75, July 149.50, Aug 147.50, Sept 148. Oct 149 sellers transhipment east coast. U.S. no 2 soft red winter June 134.25, July 131.50, Aug 13.50, Sept 135.25, Oct 137.25 sellers. EC harvest 119 quoted. English feed fob May 124.50 sellers east coast. Maize: U.S. no 3 yellow/French transhipment east coast May 150. Barley: English feed fob Sept 99 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 113.20, S. West 114.60, W. Mids 111.70, N. West 113.90. The UK monetary coefficient for the week beginning Monday May 20 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged at 0.980.

RUBBER

PHYSICALS — The London market opened easier, drifted lower throughout the day and closed on a quiet and easier note, reports Lewis and Peat. Closing prices (buyers) spot 64.00p (65.00p); June 67.50p (68.00p); July 68.00p (68.50p). The Kuala Lumpur fob price for RSS No 1 was 190.5 (192.0) cents a kg and for SMR 20 was 181.0 (181.5).

COFFEE

During a quiet opening steadier sterling prompted losses of £10-18, reports DBL. Scale-down commission house buying encouraged a brief recovery but a weaker New York market and continued trade selling kept values under pressure.

COFFEE	Yesterd'ys Close	+ or —	Business Done
May	2054-58	—37.0	2078-53
July	2105-06	—33.5	2128-04
Sept.	2146-48	—29.5	2170-49
Nov.	2176-78	—32.0	2195-75
Jan	2200-05	—30.0	2220-05
March	2180-90	—28.0	2206-90
May	2180-85	—17.5	2190-87

Sales: 2,574 (1,752) lots of 5 tonnes.
ICO indicator prices (U.S. cents per pound) for May 13: Comp daily 1979 132.00 (131.94): 15-day average 132.12 (132.12).

INDICES

FINANCIAL TIMES

May 13	May 10	M'th ago	Year ago
294.42	295.99	295.53	312.08

(Base: July 1 1952 = 100)

REUTERS

May 14	May 13	M'th ago	Year ago
1847.5	1852.6	1930.5	1989.3

(Base: September 18 1931 = 100)

MOODY'S

May 13	May 10	M'th ago	Year ago
(u) 922.5	926.0		1066.7

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	May 13	May 10	Month ago	Year ago
Spot	117.84	117.22	121.39	138.67
Fut.	122.83	122.43	124.90	138.95

(Base: December 31 1974 = 100)

COCOA

After opening a little steadier than expected futures were unable to hold the levels and eased toward the close.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
May	1813 1815	— 9.5	1818-1810
July	1842 1843	—13.0	1855 1841
Sept.	1825 1826	—13.0	1858 1825
Dec.	1781-1782	— 6.5	1789-1778
Mar.	1782-1785	— 8.5	1790-1781
May	1790-1805	— 5.0	1800
July	1890-1820	— 3.0	—

Sales: 2,282 (2,092) lots of 10 tonnes.
ICCO indicator prices (U.S. cents per pound). Daily price for May 14: 100.08 (99.78); five-day average for May 15: 97.93 (97.16).

SUGAR

LONDON DAILY PRICE—Raw sugar $88.00 (£69.50), up $3.00 (up £1.00) a tonne for May-June delivery. White sugar $131.50, up $2.50.

The market initially attempted to consolidate the overnight gains and October reached $102 during the morning. Following F. O. Licht's publication of an estimate of world production 3m tonnes up on their last figure losses of $3 were quickly recorded, reports C. Czarnikow.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Aug	96.8-97.0	97.2-97.4	98.4-95.6
Oct	100.0-100.4	100.4-100.6	102.0-99.4
Dec	106.8-108.4	106.0-107.0	107.0-106.0
Mar	118.2-118.4	118.0-118.2	118.4-117.2
May	122.2-123.4	122.0-122.6	124.0-122.0
Aug	127.8-128.4	127.2-128.6	128.4-128.0
Oct	133.8-134.4	132.0-134.8	134.4

Sales: 2,187 (1,883) lots of 50 tonnes.
Tate and Lyle delivery price for granulated basis sugar was £176.50 (£175.00) a tonne for export.
International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for May 13: Daily price 2.78 (2.71); 15-day average 2.93 (2.96).

SOYABEAN MEAL

The market opened 30p lower in quiet trade, reports T. G. Roddick. Prices eroded further on stronger sterling to close on the lows.

	Yesterday close £ per tonne	+ or —	Business Done
June	124.00-125.5	—0.90	—
August	120.50-120.9	—1.40	121.0
October	122.70-125.0	—1.35	123.4
Dec	127.40-127.7	—1.65	128.00-127.8
Feb	132.50-132.9	—1.10	132.40
Apr	135.50-134.0	—1.10	—
June	135.00-136.0	—1.00	—

Sales: 136 (128) lots of 20 tonnes.

OIL

Brent Blend for June and July traded thinly 20c higher while May cargoes were a little weaker. Nymex opened 8c up and stayed within a narrow 11c range during morning trading. In the petroleum products market gas oil prices firmed on Continental demand via the barges due to the weaker dollar against the Deutsche Mark. The heavy fuel market was stable and quiet —Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)— June		
Arab Light	26.90-27.00	—0.10
Arab Heavy	25.50-26.50	—
Dubai	25.70-25.80	—0.05
Brent Blend	26.45-26.66*	—0.175
W.T.I. (1pm est)	27.55-27.65	+0.20
Forcados (Nigeria)	26.70-26.80	—
Urals. (cif Med)	25.85-25.95*	+0.05
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	285-287	+1
Gas Oil	218-219	+2.5
Heavy fuel oil	131-132	—

* May

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
June	218.00	+2.00	218.75-16.75
July	217.00	+2.00	218.25-16.25
Aug	218.25	+2.25	218.50-18.00
Sep	221.00	+2.00	221.00-19.75
Oct	223.00	+2.00	—
Nov	225.50	+2.50	—

Turnover: 1,406 (688) lots of 100 tonnes.

PIGMEAT

Prices remained unchanged as light fresh buying met hedge selling at the higher levels, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
June	106.50	106.50	106.50
Aug.	101.50	101.70	—
Oct	106.80	106.90	107.00
Nov.	107.00	107.10	107.20-107.00
Feb.	99.50	99.00	—
April	100.40	100.50	—

Sales: 48 (95) lots of 50 carcases,

POTATOES

Prices rose £4 on short-covering before slipping towards the close. New crops were initially easier but recovered later, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
May	65.00	63.50	67.50-61.50
Nov.	65.40	65.10	65.80-64.50
Feb.	73.50	73.50	73.50
Apr.	87.80	87.10	88.00-86.60
May	93.50	93.00	95.00-92.50

Sales: 243 (422) lots of 40 tonnes.

MEAT

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 77.0-81.0; English hindquarters 98.0-102.0, forequarters 50.0-56.0; Ulster hindquarters 96.0-101.0. Veal—Dutch hinds and ends 137.0-141.0. Lamb—English small 100.0-110.0, medium 100.0-105.0, heavy 95.0-98.0; Imported: New Zealand PL 67.0-68.0, PX 64.5-65.5. Pork—English under 100 lb 48.5-58.5, 100-120 lb 51.0-55.5, 120-160 lb 43.0-48.0.

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 100.17p per kg lw (+2.26). GB—Sheep 221.44p per kg est dcw (−8.58). GB—Pigs 82.15p per kg lw (+2.19).

U.S. MARKETS

HEATING OIL drifted lower as the seasonally higher gasoline production weighed negatively on the willingness to carry distillate stocks; reports Heinold Commodities. Maize was mixed in a very narrow range on unwinding of old crop bull spreads. Wheat moved sharply lower as nearby months came in for massive liquidation. Soyabeans traded moderately lower on a weakness generated by heavy pressure on soya oil prices. The precious metals settled back to close modestly lower on scattered profit-taking reflecting an overbought condition following Monday's sharp rise. Copper steadied on the strength to sterling along with a decline in exchange stocks. The deferred months in cocoa continued to be supported by the unwinding of bull spreads. Coffee continued to drift lower on availability of supply. Sugar was slightly lower on the upward revision in 1984-85 production by a private forecaster. Cotton weakened on poor demand prospects.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
May	48.75	—	—	48.70
June	49.00	—	—	49.00
July	49.35	49.60	49.25	49.35
Sept	50.15	50.40	50.25	50.10
Dec	51.25	51.30	51.30	51.25
Jan	51.60	—	—	51.65
March	52.35	—	—	52.40
May	53.15	—	—	53.20
July	53.95	—	—	54.00
Sept	54.75	—	—	54.80

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
May	2430	2430	2390	2438
July	2165	2186	2157	2171
Sept	2133	2150	2118	2134
Dec	2095	2110	2083	2097
March	2097	2105	2086	2100
May	2097	—	—	2100
July	2097	—	—	2100

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
May	144.00	44.15	43.25	44.18
July	143.87	44.15	43.15	44.42
Sept	144.46	44.60	43.70	44.90
Dec	143.71	44.05	43.30	44.13
March	143.83	43.90	43.40	43.63
May	143.01	—	—	42.75
July	142.03	42.30	41.75	40.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
May	64.20	64.95	64.20	64.10
June	64.45	—	—	64.40
July	64.90	65.90	64.70	64.85
Sept	65.50	66.45	65.35	65.45
Dec	66.10	67.10	65.90	66.10
Jan	66.30	—	—	66.30
March	66.70	67.55	66.95	66.70
May	67.10	68.00	67.90	67.10
July	67.45	67.90	67.90	67.50
Sept	67.80	68.25	68.25	67.85

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	64.90	65.38	64.85	65.33
Oct	63.87	64.30	63.85	64.40
Dec	64.05	64.30	64.05	64.44
March	65.15	65.50	65.15	65.64
May	65.95	66.30	65.95	66.22
July	66.32	66.40	66.40	66.65

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
June	27.68	27.73	27.59	27.59
July	27.05	27.19	26.91	27.03
August	26.68	26.82	26.59	26.68
Sept	26.57	26.71	26.50	26.58
Oct	26.54	26.67	26.54	26.54
Nov	26.58	26.64	26.56	26.52
Dec	26.37	26.56	26.37	26.52
Jan	26.40	—	—	26.52
Feb	26.40	—	—	26.52
March	26.40	—	—	26.52

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
May	324.6	325.0	322.0	324.9
June	325.8	329.8	324.0	326.3
July	327.8	328.5	328.5	328.3
August	329.8	333.8	328.0	330.3
Oct	334.1	338.2	332.7	334.6
Dec	338.6	342.3	337.2	339.2
Feb	343.5	347.8	343.8	344.2
April	348.4	351.5	349.0	349.2
June	353.8	355.0	355.0	354.6
August	359.4	360.5	360.5	360.2
Oct	365.2	—	—	366.0
Dec	371.2	370.5	370.5	372.0
Feb	377.6	378.2	378.2	378.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
June	70.40	71.25	69.85	70.83
July	69.45	70.50	69.15	70.00
August	70.25	70.90	69.90	70.49
Sept	71.05	71.65	70.90	71.20
Oct	72.00	72.50	72.15	72.00
Nov	73.00	—	—	72.80
Dec	74.00	74.50	74.50	73.70

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
May	156.00	56.25	56.00	55.95
Sept	151.60	51.85	51.05	50.95
Nov	149.80	49.95	49.50	49.20
Jan	149.05	49.25	49.00	48.95
March	149.15	49.00	49.00	48.95
May	149.15	—	—	48.95
July	149.15	—	—	48.95

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
May	279.8	—	—	284.1
June	280.7	—	—	285.0
July	282.4	288.3	279.0	286.7
Oct	287.7	293.0	285.0	292.0
Jan	293.6	299.0	294.5	297.9
April	299.6	303.5	299.0	303.9

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
May	657.3	670.0	655.5	660.3
June	660.0	673.0	658.0	663.0
July	664.0	678.0	659.0	667.0
Sept	673.0	687.5	668.0	676.1
Dec	687.4	701.5	684.0	690.6
Jan	692.5	690.0	690.0	695.9
March	702.5	714.5	698.0	705.9
May	713.1	725.0	713.0	716.8
July	724.4	734.0	727.0	728.4
Sept	736.5	745.5	743.0	740.8

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	3.10	3.15	3.05	3.13
Sept	3.22	3.26	3.18	3.27
Oct	3.35	3.43	3.32	3.40
Jan	3.85	3.79	3.75	3.70
March	4.19	4.22	4.13	4.21
May	4.39	4.43	4.33	4.39
July	4.60	4.65	4.60	4.57
Sept	4.75	4.80	4.80	4.77
Oct	4.90	—	—	5.00

CHICAGO

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	46.70	46.87	46.15	46.50
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 20.00 (19.50) cents per pound. New York tin 505.0 (548.0) cents per pound. Handy and Harman silver bullion 659.0 (651.5) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 622.0, 626.0, 625.5; July 633.5, 639.0, 635.0; Oct 620.5, 621.0, 621.0-620.0; Dec 621.0, 622.0, 622.0-621.0; Mar 628.0, 628.5, 628.0-626.0; May 633.0, 640.0, nil; July 635.0, 645.0, nil; Oct 625.0, 645.0, nil. Sales: 31.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. May 510, 513, 512-511; Aug 532, 534, 536-533; Oct 532, 534, 538-532; Dec 533, 534, 538-534; Jan 534, 536, 536-534; Mar 543, 545, 546-543; May 549, 551, 552-50; Aug 562, 565, 563; Oct 560, 566, nil. Sales: 146.

PARIS

SUGAR—(FFr per tonne): Aug 1,233-1,235, Oct 1,248-1,254, Dec 1,278-1,295, March 1,333-1,335, May 1,378-1,395, Aug 1,430-1,439.

COCOA—(FFr per 100 kg): May 2,141-2,148, July 2,145-2,200, Sept 2,131-2,134, Dec 2,068-2,082, March 2,055-2,070, May 2,050 asked, July 2,090 asked.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 104 tonnes. Fair trading developed still centreing on West African and Colombian growths.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter June 150, July 150, Aug 148, Sept 149, Oct 151 sellers. U.S. two northern spring 14 per cent protein spot 180, May/June 170.50, June 169.50, July 169, Aug 167, Sept 164.50 sellers. U.S. northern spring 15 per cent protein June 177.50, July 178, Aug 178.50, Sept 177 sellers. U.S. hard amber durum May/June 176.50, June 176, July 176, Aug 176, Sept 172, Oct 176 sellers. Canadian one western amber durum May/June 189, June/July 189, Aug 189, Sept 187 sellers.

MAIZE—(U.S. $ per tonne): U.S. three yellow May 132, June 130, July 132.50, July/Aug 132.50, Oct/Dec 128 sellers.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Bearish tone depresses dollar

The dollar closed around the day's lows in currency markets yesterday after fluctuating quite sharply in generally nervous trading. News of a 0.9 per cent rise in U.S. retail sales prompted an unexpected demand for the dollar but it fell just as sharply in later trading as profit taking developed. Dealers suggested that retail sales figures on their own were insufficient to influence the markets current bearish tone.

Much will depend on today's industrial production figures as these should give an indication as to whether the increase in retail sales is just a further reflection of increased imports caused by a strong dollar or a genuine upturn in domestic growth. Against this background the dollar continued to reflect recent market uncertainty and fell to a three-week low against the D-mark to finish at DM 3.0425 from DM 3.0725 on Monday. It had touched a high of DM 3.0940.

Elsewhere it finished at SwFr 2.5650 from SwFr 2.5825 and Y249.55 compared with Y251.30. It was also lower against the French franc at FFr 9.30 from FFr 9.37. On Bank of England figures, the dollar's index fell to 144.9 from 145.9.

STERLING — Trading range against the dollar in 1985 is 1.2940 to 1.0525. April average 1.2414. Exchange rate index 79.2 *against* 78.6 on *Monday*. It opened at 78.6 which was the low of the day. The six months ago figure was 76.5.

Sterling benefited from the dollar's weak trend with the relatively high level of UK interest rates adding to its attraction. It closed at $1.2730-1.2740, a rise of 1.95c from Monday. It was also higher against major European currencies, rising to DM 3.8775 from DM 3.8525 and *SwFr* 3.2650 compared with SwFr 3.2400. Against the French franc it rose to FFr 11.8350 from FFr 11.74 and Y318.0 from Y315.0.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. April average 3.0856. Exchange rate index 122.3 against 122.5 six months ago.

The dollar closed weaker in Frankfurt yesterday, failing to gain any inspiration from the latest set of U.S. retail sales figures. It touched a high of DM 3.0940 but fell back quite *sharply on profit taking* as market sentiment remained predominantly bearish. The U.S. unit finished at DM 3.0615 down from DM 3.0800 on Monday, having touched a low of DM 3.0520.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.0688	+0.37	+0.47	±1.5471
Danish krone	8.14104	8.06042	−0.99	−0.89	±1.6419
German D-mark	2.24184	2.23882	−0.13	−0.03	±1.1475
French franc	6.87456	6.83416	−0.59	−0.49	±1.3669
Dutch guilder	2.52595	2.53067	+0.19	+0.29	±1.5171
Irish punt	0.72569	0.715447	−1.41	−1.31	±1.6673
Italian lira	1403.49	1429.92	+1.88	+1.88	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	May 14	prev. close
£Spot	$1.2720-1.2730	$1.2615-1.2640
1 month	0.50-0.48pm	0.51-0.49pm
3 months	1.33-1.29pm	1.30-1.26pm
12 months	3.35-3.20pm	3.30-3.10pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2515-1.2750	1.2730-1.2740	0.50-0.47c pm	4.57	1.34-1.29pm	4.13
Canada	1.7342-1.7676	1.7525-1.7575	0.01c pm-par	0.03	0.02-0.01pm	0.03
Nethlnd.	4.36¾-4.39½	4.38½-4.39½	2⅝-1⅞c pm	6.47	6⅞-5⅞pm	5.52
Belgium	77.88-78.19	78.05-78.15	25-20c pm	3.46	69-60pm	3.30
Denmark	13.81-13.98	13.96-13.97	4¾-3¼ore pm	3.65	11-10pm	3.01
Ireland	1.2300-1.2407	1.2380-1.2390	0.13p pm-0.04ds	−0.44	0.40pm-.04d	−0.58
W. Ger.	3.86¾-3.88¼	3.87¼-3.88¼	2⅜-2¾pf pm	7.16	6⅞-6⅝pm	6.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 78.40-78.50. Six-month forward dollar 2.30-2.25c pm, 12-month 3.40-3.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2515-1.2750	1.2730-1.2740	0.50-0.47c pm	4.57	1.34-1.29pm	4.13
Ireland†	1.0115-1.0285	1.0273-1.0283	0.40-0.30c pm	4.11	1.05-0.75pm	3.52
Canada	1.3730-1.3785	1.3775-1.3785	0.17-0.20c dis	−1.49	[illegible]	[illegible]
Nethlnd.	3.4310-3.4835	3.4445-3.4455	0.33-0.30c pm	1.09	[illegible]	2.54
Belgium	61.25-62.25	61.25-61.35	6-7c dis	−1.25	[illegible]	−1.02
Denmark	10.94½-11.12½	10.95¼-10.95¾	½-1ore dis	−0.81	[illegible]	−1.08
W. Ger.	3.0365-3.0490	3.0420-3.0430	0.72-0.67pf pm	2.70	[illegible]	2.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.35-62.45.

OTHER CURRENCIES

May 14	£	$		£ Note Rates
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rate.

† Correction (May 13): Greek Drachma-£ rate was 168.50-172.18

CURRENCY MOVEMENTS

May 14	Bank of England Index	Morgan Guaranty Change %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 14	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for May 13: 1.36219.

EXCHANGE CROSS RATES

May 14	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12½-12⅝	8 8⅛	8¾-9¼	5⅝-6⅛	4½-5	5⅛-5⅝	10-10⅛	10-11	9⅞-10⅛	10-10⅛	6⅛-6⅛	9 9½
7 day's notice	12⅝-12¾	8-8⅛	9-9½	6⅛-6⅛	2⅞-3⅛	5⅛-5⅛	10-10⅛	12-13	9¾-10	9¼-9½	6-6⅛	9-9½
Month	12⅛-12¾	8⅛-8⅛	9⅝-9⅝	6⅛-6⅛	4⅛-5⅛	5⅛-5⅛	10⅛-10⅛	12⅛-12⅝	9-9¼	9-9¼	6⅛-6¼	8⅞ 9⅛
Three months	12⅛-12⅛	8⅛-8⅛	9⅝-9⅞	6¾-6⅞	5⅛-5⅛	5⅛-5⅝	10⅛-10¼	12¾-13⅛	9⅛-9⅝	9⅛-9⅜	6⅛-6⅜	9⅛-9⅝
Six months	12⅛-12⅛	8⅝-8⅝	9¾-10	6¾-6⅞	5⅛-5¼	5⅛-5⅛	10¼-10⅝	13⅝-13¾	9¼-9½	9⅛-9⅜	6⅛-6⅝	9⅝ 9⅞
One year	12⅛-12¼	9⅛ 9⅛	10⅛-10⅛	6¾-6⅞	5⅛-5⅛	5⅞-6	10⅝-10⅞	14-14⅜	9¾-10	9⅝-9⅞	6⅛-6⅛	9⅞-10⅜

Asian $ (closing rates in Singapore): Short-term 8⅛-8⅜ per cent; seven days 8⅛-8⅜ per cent; one month 8⅛-8⅜ per cent; three months 8⅜-8⅝ per cent; six months 8⅝-8⅞ per cent; one year 9⅛-9⅜ per cent. Long-term Eurodollars: two years 10⅛-10⅜ per cent; three years 10⅝-10⅞ per cent; four years 10⅞-11⅛ per cent; five years 11¼-11½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates slightly easier

Interest rates had a slightly softer tone on the London money market yesterday. Trading was quiet, but dealers suggested there is a good underlying mood at present. Sterling's strength against a weaker dollar is helping sentiment, as overseas investors continue to be attracted by the high level of London rates. The current rate structure was heavily underpinned last week by the very disappointing mid-April UK money supply and bank lending figures. These set back any thoughts of lower clearing bank base rates for at least a month, and any downward drift in money market rates must be seen against this background.

UK clearing banks base lending rate 12¼-12¾ per cent since April 19

Three-month interbank closed at 12⅝-12¾ per cent, compared with 12⅝-12¾ per cent, while discount houses offered to buy three-month eligible bank bills at 12⅛ per cent against 12⅛-12¼ per cent.

The Bank of England forecast a money market shortage of £900m, but provided total help of only £778m.

In an early round of assistance £125m bills were bought outright, by way of £23m bank bills in band 1 (up to 14 days maturity) at 12¾ per cent; £69m bank bills in band 2 (15-33 days) at 12¼ per cent; and £28m bank bills in band 3 (34-63 days) at 12¼ per cent.

Another £87m bills were purchased outright before lunch, through £23m bank bills in band 1 at 12¾ per cent; £2m Treasury bills in band 2 at 12¼ per cent; £11m bank bills in band 2 at 12¼ per cent; £12m bank bills in band 3 at 12¼ per cent; £22m Treasury bills in band 4 (64-91 days) at 12 per cent; £15m local authority bills in band 4 at 12 per cent; and £2m bank bills in band 4 at 12 per cent.

In the afternoon the Bank of England bought £521m bills outright, by way of £38m bank bills in band 1 at 12¾ per cent; £331m bank bills in band 2 at 12¼ per cent; £94m bank bills in band 3 at 12¼ per cent; and £58m bank bills in band 4 at 12 per cent.

Late assistance of £45m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £288m, with the unwinding of repurchase agreement absorbing £441m, Exchequer transactions £165m, and bank balances below target another £40m. These outweighed a fall in the note circulation adding £55m to liquidity.

MONEY RATES

May 13	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10⅛	2¼-2¾	6⅜-6⅛	5.96875	15-15⅛	5.60	12⅜-12⅝
One month	5.7-5.8	10⅛-10⅛	4¾-5	6⅛-6⅛	6.28125	14⅛-14⅞	9⅛-9⅜	12⅝-12⅞
Two months	5.70-5.85	10⅛-10⅛	—	—	—	—	—	12½-12¾
Three months	5.75-5.90	10⅛-10¼	4⅞-5⅛	6⅛-6⅛	6.34375	15-15⅜	9¼-9½	12½-12¾
Six months	5.80-5.95	10¼-10⅜	—	6⅛-6⅛	—	—	9¼-9½	12⅝-12⅞
Lombard	[illegible]	—	[illegible]	[illegible]	[illegible]	—	—	—
Intervention	—	10⅛	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

May 14 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	[illegible]	—	[illegible]	[illegible]	—	—	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—

FT LONDON INTERBANK FIXING

(11.00 a.m. May 14)

3 months U.S. dollars

bid 8 3/16	offer 8 5/16

6 months U.S. dollars

bid 8 1/2	offer 8 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period April 3 to May 7 (inclusive): 12.787 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from May 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-12¾ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-7.25 per cent (net). Treasury Bills: Average tender rates of discount 11.9826 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12½ per cent; nine-12 months 12½ per cent. Under £100,000 11½ per cent from May 14. Deposits held under Series 5 12¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	—

Treasury Bills

One month	7.20
Two month	7.30
Three month	7.49
Six month	7.75
One year	7.96

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Strong close

Trading in the short-dated interest-rate contracts on the London International Financial *Futures Exchange has now* moved strongly to September delivery.

September Eurodollars opened *unchanged at 90.85, nearly the* lowest level of the day, and quickly rose to 90.87, where profit-taking took the price down to *90.84. Selling* was not heavy, however, and the market remained steady until the Chicago opening and the publication of April *U.S.* retail sales figures. The rise of 0.9 per cent was lower than expected, and took the contract up to the day's *peak of 90.96, with Chicago* touching 91.03. The revised fall of 0.7 per cent for March retail sales, against an earlier drop of *1.9 per cent, indicated a rather* stronger first-quarter economic performance than before, and triggered an immediate sell-off. *This took the contract back to* 90.84, before renewed buying lifted the price almost back to the day's high, when it closed at *90.93*

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	91.55	91.66	91.47	91.48
Sept	90.93	90.96	90.84	90.83
Dec	90.49	90.49	90.38	90.38
March	90.13	90.03	90.07	89.98
June	89.83	89.70	89.70	89.67

Est volume 5,222 (2,358)
Previous day's open int 19,238 (18,456)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	87.58	87.58	87.45	87.48
Sept	88.36	88.38	88.22	88.27
Dec	88.80	88.77	88.70	88.67
March	89.02	89.02	88.90	88.90
June	89.12	—	—	89.00

Est volume 1,580 (1,006)
Previous day's open int 7,257 (7,100)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	105-20	105-26	105-05	105.19
Sept	108-31	109-00	108-23	108-23
Dec	108-05	—	—	108-29
March	108-25	—	—	108-17

Est volume 2,978 (2,672)
Previous day's open int 3,605 (3,323)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −10 to par (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.2656	1.2660	1.2515	1.2490
Sept	1.2540	1.2505	1.2403	1.2376
Dec	1.2466	—	—	1.2300

Est volume 1,376 (247)
Previous day's open int 9,495 (9,822)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3283	0.3278	0.3232	0.3249
Sept	0.3307	0.3292	0.3279	0.3273

Est volume 83 (133)
Previous day's open int 285 (237)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3897	—	—	0.3867
Sept	0.3933	—	—	0.3903

Est volume nil (nil)
Previous day's open int 155 (147)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	[illegible]	—	—	[illegible]
Sept	[illegible]	—	—	[illegible]

Est volume nil (7)
Previous day's open int 155 (150)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 449 (668)
Previous day's open int 1,311 (1,235)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	73-21	73-21	72-28	72-31
Sept	72-20	72-14	71-29	71-29

Est volume 3,347 (1,680)
Previous day's open int 2,876 (2,463)

CHICAGO

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	71-10	71-10	71-00	71-00
Sept	70-17	70-17	70-08	70-08
Dec	69-24	—	—	69-21
June	—	—	—	68-21
Sept	—	—	—	68-08

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	73-14	73-18	72-27	72-27
Sept	72-14	72-16	71-26	71-26
Dec	71-15	71-20	70-28	70-28
March	70-22	70-23	70-03	70-01
June	69-30	69-30	69-11	69-09
Sept	69-08	69-08	68-21	69-09
Dec	68-21	68-23	68-21	68-00
March	—	—	—	67-14
June	67-24	—	—	66-30
Sept	—	—	—	—
Dec	—	—	—	66-03

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.41	92.42	92.30	92.32
Sept	91.96	91.99	91.88	91.88
Dec	91.62	91.64	91.53	91.51
March	91.33	91.33	—	91.22
June	91.08	91.08	—	90.98
Sept	90.88	90.88	90.80	90.79
Dec	90.69	90.69	—	90.60
March	90.51	90.51	—	90.42

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.88	91.89	91.81	91.80
Sept	91.27	91.30	91.20	91.17
Dec	90.85	90.85	90.74	90.70
March	90.45	90.46	—	90.32

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.53	91.54	91.45	91.45
Sept	90.91	91.00	90.91	90.80
Dec	90.47	90.48	90.38	90.33
March	90.10	90.12	89.99	89.95
June	89.81	89.84	89.70	89.65
Sept	89.58	89.61	89.45	89.40
Dec	89.38	89.39	89.29	89.17
March	89.18	89.18	89.05	88.96

STERLING (IMM) $ per £

	Latest	High	Low	Prev
June	1.2620	1.2625	1.2475	1.2535
Sept	1.2500	1.2505	1.2365	1.2415
Dec	1.2400	1.1420	1.2300	1.2345
March	—	—	—	1.2285
June	1.2400	1.2400	—	1.2085
Sept	—	—	—	1.2606

STERLING INDEX

	May 14	Previous
8.30 am	78.6	78.0
9.00 am	79.0	78.2
10.00 am	78.9	78.1
11.00 am	78.9	78.2
Noon	78.9	78.4
1.00 pm	78.9	78.4
2.00 pm	78.8	78.4
3.00 pm	78.9	78.3
4.00 pm	79.2	78.6

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 34

Stock	Sales (Hnds)	High	Low	Last	Chng
FFnMgt	23	23¾	23	23⅜	
FtFIBk .40	116	26	25½	26	+⅜
FHaw s 1.40	8	29½	29½	29½	
FtNICp 1	9	24½	24	24½	
FtIndi	32	19	18½	18⅞	+⅛
FinstBk t	2	11½	11½	11½	-½
FinstCp 1	4	21½	21½	21½	-1
FJerNt 1.80	25	33½	33	33½	+½
FKyNt s 1	121	27¼	27	27¼	+¼
FMdB 1.60	59	40⅞	40⅜	40⅞	+¼
FtMich .56b	33	11⅞	11⅞	11⅞	+⅛
FtMdB 1.20	8	18	18	18	+½
FtMtSv	19	29¾	29¼	29¾	
FNGa s	17	28	28	28	+½
FNtCin s	14	32¼	31½	32¼	
FNtSup .02e	337	20⅛	20	20	-⅛
FNHB .60b	23	18¼	17½	18¼	+½
FNthSL .40	1	14¾	14¾	14¾	+¾
FtOhBn 1.80	2	39	39	39	+1½
FtOkIB	9	10¼	10⅛	10⅛	
FRBGa .96	162	32¼	32¼	32¼	-¾
FtSvFla .80	51	25½	25	25½	
FSvWis	22	7¼	6½	7¼	
FtSecC 1.10	132	25	24⅝	24⅝	
FSecKy .76b	28	23½	22½	23½	+1
1stSrce .44r	100	13⅞	13⅝	13¾	+⅛
FtSthn	14	9¾	9½	9½	-¼
FTenNt 1.80	97	37¼	37	37	-⅛
FtUnC s 1.12	694	42¼	42	42¼	+¼
FtValy s 1	13	31¼	30¾	31¼	
FtVtFn 1.28a	14	27½	27	27½	+½
FtWFn .20	40	6⅛	6	6	-⅛
Firster 2.20	4	50½	50½	50½	-1
Flagler .22e	27	12¼	11¾	12¼	
Flakey	146	7⅛	7	7⅛	
Flexstl .48	37	13½	13¼	13¼	-¼
Florfx s	90	3⅝	3½	3⅝	-⅛
FlaCom .56b	1	29½	29½	29½	-1
FlaFdl .15e	400	17½	17⅛	17¼	-⅛
FlaGulf	18	15⅝	15½	15⅝	+⅛
FlNFl s .72	35	36½	36	36½	+¼
FlowS s	164	14¾	14⅛	14⅝	+¼
Flurocb .24	49	12¾	12½	12⅝	+¼
Fonar	383	4⅛	3⅞	4	
FLion B .07	127	18½	17½	18½	+¾
FLion A .09	215	17¼	16¾	17¼	+¼
ForAm .98	159	31¼	31	31¼	+¼
ForestO 1	102	21¾	21⅛	21⅛	-⅝
Forsch	61	7	6½	7	+¼
FortnF	55	20¼	19¾	19¾	
FortnS	176	1⅞	1⅝	1¾	
Forum .06	1245	10¼	9⅞	9⅞	-¼
Foster .10	106	5¼	5⅛	5⅛	
FrnkCp 1.35e	1	13	13	13	-1½
FrnkEl .56	37	16	15½	16	+¼
FrnkRs	33	29	28¼	29	+¼
FreeFdl	19	8⅝	8½	8½	
Fremnt .48	950	29¾	29	29	-¼
Fudrck	351	8⅛	7⅞	7¾	-¼
FulHB s .32	66	15¼	14⅞	15¼	+⅛
G G					
GTS	78	8⅛	7⅞	8⅛	
Galileo	335	14¾	14¼	14¼	-¼
Galoob	537	12½	12	12¼	
GamaB .10	1878	11	10	10½	+½
Gandlf g	290	7¾	7¼	7½	-½
Genetch	292	49½	49	49¼	+¼
GnBind .36	198	14½	13¾	14½	+½
GnShel .75r	58	16½	16	16	-¼
GenetE	87	2⅝	2⅝	2⅝	-1-16
GenetL	31	3¼	2⅞	3⅛	+⅛
GenetS	1667	7⅛	6½	6⅝	-⅜
Geneve .10	4	40½	40½	40½	-½
Genex	361	4⅛	3⅞	4	
Genova .10e	2	6⅛	6⅛	6⅛	
GaFBk	285	15¼	15	15	
GerMd s .08	16	6⅝	6½	6⅝	+⅛
GermF .20e	120	14¼	14¼	14¼	
GibsG s .24	1290421	20¼	20¾		-⅛
GigaTr	8	16¼	16¼	16¼	
GilbrtA 1.70	64	27	26¼	26¾	+½
Godfry s .52	3	16⅛	16⅛	16⅛	-¼
GldCorr .63e	4	11¾	11¾	11¾	-¾
GoldE s .24	162	20½	19¾	20¼	
GdTaco	30	13-16	13-16	13-16	
Gotaas	55	15	14¾	14⅞	

Stock	Sales (Hnds)	High	Low	Last	Chng
Gott	24	13½	12⅞	12⅞	
GouldP .76	43	16¾	16½	16¾	
Graco .44	4	12¼	12¼	12¼	
Gradco	90	8	7½	8	
Grantre	26	8	7¾	7¾	
Graphi	24	13½	13¼	13¼	
GrphMd	11	3⅜	3¼	3¼	-⅛
GrphSc	3533	5¾	5½	5½	-⅛
GrayCo	10	8½	7¾	8½	+¼
GtLkFd .05e	451	12¼	12	12⅛	-⅛
GWFSB .48r	4	19½	19	19½	+½
GtSoFd	371	11¾	10⅞	10⅞	-½
GtWash .50e	24	6½	6¼	6½	+¼
GreenT	99	18¼	17¾	18¼	
GreyAd 3.40	1	182	182	182	-8
Groman	20	12⅞	12¾	12⅞	+⅛
Gtech	208	12⅝	12½	12⅝	+⅛
GuarFn	55	7	7	7	
GuardP .44	8	15	14½	14½	-½
Guilfrd	7	16½	16¼	16¼	-½
GlfBdc	311	15	14⅞	14⅞	
GlfNuc	25	1⅞	1¾	1⅞	+⅛
Gull .05e	23	12¼	12	12	-¼
H H					
HBO .20	1999	20⅞	20½	20⅝	+⅛
HCC .06e	54	10¼	9⅞	10⅛	+⅜
HCW .10	10	5¾	5¾	5¾	-½
HEI Tx	54	14	13½	13½	-¼
HEI Mn	19	5½	5¼	5½	+¼
HMO Am	232	13⅜	13⅛	13⅛	-¼
Hach Co .24	1	22	22	22	
Haber s	115	19⅝	19¼	19⅝	
Hadco	4	4½	4½	4½	
Hadson	112	3	2⅞	3	+⅛
HaleSy n	6	1	¾	1	
Halmi	438	2½	2¾	2 7-16	+1-16
HamOil .10	185	16¾	16⅝	16¾	+⅛
Hamnd	3	6	6	6	
Hanvin .56	327	40¾	40	40⅝	+⅜
HarpG .34	382	30¼	30	30	
HrtNt 1.60	176	30⅛	29⅞	29⅞	-⅛
HrtfStm 3.20	19	87½	86½	87½	+½
Harvin s	54	15¾	15	15⅝	-¼
Hathw s	23	9¼	9	9	-¼
Hauser .40e	35	15¾	15½	15½	-1
Havrty .52	5	18½	18½	18½	-½
HawkB .28	31	9½	9¼	9¼	
HlthCS s	129	11	10¾	10¾	-½
Hlthln	66	4¼	3⅝	4	+¼
Hlthdyn	135	3⅝	3⅝	3⅝	
HechgA .16	149	27¾	27¼	27¾	+½
HechgB .10	64	29½	29	29¼	+¼
HelenT	130	5¼	5	5	-⅛
Helix	96	31½	30	30	-1½
HenrdF .92	10	34	34	34	-⅜
HerltFd	10	17¼	17¼	17¼	+½
Herley	170	5⅝	5⅜	5½	+⅛
Hetra	15	3	2⅞	2⅞	-¼
HiberC s 1b	96	21¼	21	21¼	+⅛
Hickam	13	10¼	9¾	10¼	+¼
HighlSu	1488	18¾	18½	18¾	+⅛
Hogan	387	5½	5	5¼	-⅛
HolmO 1	9	25	24½	24½	-⅝
HmBen .88	x6	30¼	29¾	29¾	-¼
HmFFl	212	12⅝	12⅜	12⅜	-¼
HmFAz	94	20¾	20½	20¾	+¼
Hmecft	68	7¾	7½	7½	-¼
HmoSL	31	26¼	25¾	26¼	
Honind .56	x101	20¼	19¾	19¾	-½
Hoover 1.20	889	26⅞	26½	26¾	-⅛
HrznAir	413	6⅝	6⅜	6⅜	
Horzind	20	3⅝	3⅜	3⅜	-¼
HwBNJ	604	25	24	25	+1
HwrdB 1.12a	5	22	22	22	-¼
HungTg	81	5⅛	5⅛	5⅛	
HuntJB .05e	93	27	26½	26½	-½
HntgRs	19	10⅛	9⅝	10⅛	
HuntgB 1.48b	186	42¾	42	42	-½
Hurco	1	4⅛	4⅛	4⅛	+¼
Hybritc	309	23	22	22¾	+1¼
HydeAt	787	5⅞	5½	5⅝	
Hyponx	12	7	7	7	
HytekM	7	7½	7½	7½	-¾
I I					
IEC	11	5⅜	5⅜	5⅜	
IIS	23	5⅝	5⅛	5⅛	-⅛
ILC	83	9	8⅝	8⅝	-⅜
IMS s	736	24⅞	23⅝	23⅞	-⅞
IPL Sy	26	1¾	1⅝	1⅝	
ISC	1570	11⅛	10¾	10⅞	
IVB Fn 2.20	11	32⅝	32¼	32⅝	-⅛
Icot	183	5⅝	5⅛	5¼	
Imatrn	682	1⅞	1⅜	1 13-16	+¼
Imtrn wt	30	⅝	⅝	⅝	+⅛
Imuno	320	4¾	4⅝	4⅝	-¼
Imugen	172	2⅛	2	2	-⅛
Inacmp	16	5⅞	5⅝	5⅞	+⅛

Stock	Sales (Hnds)	High	Low	Last	Chng
IndBcp 1.92	6	37¾	37¾	37¾	-½
IndBnc .30r	1	8¾	8¾	8¾	+¼
IndlN 1.40	226	42	41⅜	41⅜	-¼
IndlN pf	2	30½	30½	30½	
IdplWat 2.66	38	33¼	32¾	32¾	
InAcous .25e	4	9	9	9	+1
IndEl	20	2⅞	2¾	2⅞	
InertD s	43	4¾	4⅛	4⅛	-⅛
Infolntl .20	15	13¼	13¼	13¼	
InfoRsc	82	26½	26	26	-½
Inftrn	68	20	19¼	19¼	
Infraln	104	7⅛	7	7	
InsituE	30	8½	8⅛	8½	+⅛
InstNtw	1115	33¼	31¾	32¼	+¼
Instch t	2	4⅛	4⅛	4⅛	
Intecm	726	5	4¾	5	+⅛
IngCirc	21	8⅞	8⅞	8⅞	
IntgDv	311	11	10½	10¾	-¼
IntgGen	23	4	3⅞	3⅞	-⅛
ISSCO	87	21½	21	21½	+¼
Intel	6110	28⅛	27	27	-⅜
IntlSy	849	7¼	7⅛	7¼	+⅛
IntrTel	86	2⅛	1¾	2	-⅛
Intrmd	73	11¼	10¾	11¼	
Intdyn h	45	9⅛	8¾	9	-¼
IntrlFlr .16	251	14½	14¼	14¼	
Intrfac 1.03t	36	7¾	7½	7½	-¼
Intgrph	3377	62¼	59¾	60¾	-1
Intrmgn	500	9¾	9¼	9⅜	-⅛
Intmec	182	16¼	15½	15½	-¾
Intrmet	9	9¼	9	9	
InBWsh	2	12½	12½	12½	-¼
IBkWsA	191	10¼	9⅞	10⅛	+⅛
InCapE	23	4⅛	4	4	
IntClin	256	13	12¼	12½	-⅜
IGame	392	12⅞	12⅜	12⅝	-⅛
IntHld t	12	10¾	10¾	10¾	
IntKing t	116	19¾	19¼	19¼	-½
IntLse	67	17¼	17	17	-¼
InMobil	160	8¼	7⅞	8⅛	+¼
IntResh .36	32	7¼	6¾	7¼	
IRIS	66	⅞	13-16	13-16	-1-16
IntShip	23	22¾	22¼	22¼	-⅜
IT Cp s	811	17¾	17⅛	17½	+⅜
Int Total	119	6¾	6½	6¾	
Intphse	142	3⅞	3¾	3¾	
Inthrm .20	50	14⅝	14½	14½	
Invcre .01e	79	4⅝	4⅜	4⅜	
InvstSL .06e	63	5⅜	5¼	5¼	-⅛
Iomega	1511	11⅛	10⅛	10⅜	-½
IwaSoU 3.60	45	42	41⅝	41⅞	-⅛
Isomdx	100	10	9½	10	-¼
Itel	1382	7⅞	7½	7⅞	+⅜
Itel wt	22	4¼	4⅛	4⅛	
Itel pf	11	33¾	33½	33¾	+¼
J J					
JBRst s .16	183	14⅝	14⅛	14¼	-¼
JLG	111	6	5⅝	6	+¼
JP Ind	30	17¾	17¼	17¼	-½
Jackpot t	251	6⅞	6¼	6⅞	+¼
JackLife	81	39¼	38¾	39¼	
Jacbsn .40	230	25¼	24¾	24¾	
JamWtr	32	19¾	18¾	19	-⅝
JeffrGp	96	20¾	19¾	20	-¾
JeffBsh 1.60	12	39¼	39¼	39¼	
JeffNL s .44	2	23½	23½	23½	-¼
JefSmrf .40a	75	20⅛	19¾	20⅛	+⅜
JefMart	19	7¼	7⅛	7⅛	
Jerico .12	2165	20½	20¼	20¼	
Jiffy s	331	5-16	¼	¼	
JhnsnE	16	5½	5½	5½	-¼
Jonicbl t	106	5⅞	5¾	5⅞	+¼
Jonel A t	378	6⅛	5¾	6	+⅜
Josphsn	234	9	8¾	8⅞	+⅛
Juno	6	34	33⅜	34	+¾
Justin .40	17	20⅛	19⅞	20⅛	
K K					
KLA s	1327	19½	18¾	18¾	-½
KMW Sy	20	11¼	11¼	11¼	
KTron	31	5⅜	5⅛	5¼	+⅛
KV Phr	18	7¾	7¼	7¾	+¼
Kaman .56	52	27½	27¼	27½	+⅛
Karchr	83	16⅝	16⅜	16½	
Kasler .60r	314	16¼	15¾	16	+¼
Kaydon	483	8½	8⅜	8⅜	-⅛
Kaypro	237	2⅝	2⅜	2⅜	-⅜
Keane .20	10	19¼	19¼	19¼	
vjKelyJ	1021	⅝	½	9-16	
KellyS A .64	168	41	37½	40	+1½
Kemp 1.80	178	56¾	56½	56⅝	-¼
Kencop	14	4⅝	4½	4½	
Kengtn	39	10¾	10¾	10¾	-½
KyCnLf .90	69	41½	41	41½	+½
Kevex	100	6⅞	6⅝	6⅞	
Kevlin	15	6¼	6	6¼	+⅛
KewnS s .44	3	12¾	12¾	12¾	
KeyTrn	114	8⅛	7¾	7⅞	-⅛

Stock	Sales (Hnds)	High	Low	Last	Chng
KaysFn 1	27	22½	21	21½	-⅛
Kimbal .54	1	30	30	30	+¼
Kinder s .06	1822	16½	16⅜	16½	
KiosVd	2	8¼	8¼	8¼	
Kroy .08	151	7	6½	6⅞	+⅛
Krugr s .32	314	14⅞	14⅝	14⅝	+⅛
Kulcke .16	799	16½	16	16¼	-¼
KustEl	8	6⅞	6⅝	6⅝	-¼
L L					
LCS s	64	7¼	6¾	7¼	+1
LDBrnk	188	7⅛	7	7	
LJN	215	13⅜	13	13⅜	+¼
LSI Log	811	14¼	13¾	14¼	+¼
LTX	326	16¼	15½	15⅝	-⅝
LaPete s	67	15	14¾	14¾	-¼
LaZ By 1.40	19	42¾	42¼	42¼	-½
LacldSt	6	20	20	20	-¼
LadFrn .12a	50	18	17⅝	18	+¼
Laidlw .16	114	15½	15	15½	+½
LdlT B s .16	20	9⅛	9⅛	9⅛	
LamRs	248	10	9⅞	10	+⅛
LamaT .80	68	14¼	14	14¼	
Lancast .68	247	14¾	14½	14¾	
Lance s .92	78	27¼	26½	27	+½
LdLnSL .32	124	9¾	9¾	9¾	-¼
LndBF .60	1818	16⅝	16½	16⅝	+⅛
LdmkS	365	13½	13¼	13¼	-¼
LaneCo .92	198	48	47½	48	+¼
Langly .25e	7	7	7	7	-⅛
Larsen .56	9	34½	33½	34¼	+¾
Lawsn s .28	233	28	27¾	27¾	
LeeDta	630	5¾	5⅜	5⅜	-⅛
Leiner	151	11½	11¼	11½	
Lesco	25	18¼	17½	18¼	
LewisP .28b	97	8½	8⅜	8½	
Lexicon	556	3¼	3 1-16	3 1-16	-1-16
Lexidta	278	2½	2¼	2½	+¼
LbtFGa	1	20⅜	20⅜	20⅜	+⅜
Liebrm	79	26¼	25⅞	25⅞	-⅜
Liebrt .07	127	18½	18	18¼	-¼
Lilnvs .24	2	44⅜	44⅜	44⅜	
LifeCom	79	5½	5½	5½	
Lilly A s .38	14	13¾	13¼	13¼	
LilyTul .30	3364	16⅝	16½	15½	-⅛
LinBrd	1006	29½	29⅛	29¼	-¼
LincTel 2.20	3	32¼	32¼	32¼	
Lindbrg .16	42	5¼	5	5	-¼
LinerCp	2	5⅛	5⅛	5⅛	+¼
LiqBox .72	27	50	47½	48¼	-2¼
LiqdAir 1.60	8	24	24	24	
LittlArt .70	13	23½	22	22	-¾
LizCla s .35	1653	40	38½	40	+1¼
LocalF .07e	213	18	17	17½	-½
LongF 1.28	36	23¾	23¼	23¼	
Lotus	1921	28¾	28¼	28¾	+¼
LaBnch .60	205	18¾	18¼	18½	+⅛
Lypho s	664	19⅛	18⅝	18¾	-⅜
M M					
MARC	465	19½	19	19	-¼
MCI	8588	9⅛	8¾	8⅞	-⅛
MIW	81	7¼	7	7	
MPSI s	15	4½	4½	4½	-½
MTS s .24	54	19	18¼	18½	-¼
MTV	1128	26⅞	25⅞	26	+¼
MDmd s .52	1	26¼	26¼	26¼	
MachTc	66	7¼	7⅛	7¼	
MackTr	1167	10⅞	10⅝	10⅝	
MagGE 2.20	248	25	24¾	24⅞	-⅛
MagmP	568	10	9⅛	10	+¾
MagBk	74	21¾	20½	21½	-¼
MagGp .68	34	13	12½	12½	
MajRt	124	6⅝	6⅜	6⅜	-¼
Mairite .01e	131	16¼	15⅞	16¼	+⅜
MgtScl	584	13⅝	13⅜	13⅜	-⅛
Manatw .80	203	22¼	22	22	
ManfH s	31	24	23¼	24	
MfrsN 2	297	58	57½	57½	-¼
Marcus .28e	38	16⅜	16	16	-½
Margux	13	7⅝	7⅝	7⅝	+¼
MarmC s 1.40	67	28½	27¾	28¼	-¼
MTwan .80	17	19⅞	19¾	19⅞	-⅜
Marqst .05e	46	12¼	12	12	
MarsSt	437	15	14¼	14½	-½
MarshS .48	2	17⅛	17⅛	17⅛	+¼
Marshll 2.24	13	62¾	62½	62½	
MrldN s 1	975	30½	30	30½	+½
Mascmp	113	6¼	6	6¼	
Mscoln	10	42⅝	42½	42½	-¼
Masstor	674	4⅝	4¼	4¼	-⅜
MathBx	46	12¾	12¼	12¾	-⅛
MatrxS .10	14	27	26¼	26¼	-¾
Maxcre	4651	30⅜	29½	30⅛	+½
Maxwel	31	12¾	12¼	12¾	+¼
MayPt	184	5	4⅞	4⅞	
MaySu A .10a	181	21¼	18½	21¼	+3
MaynOl	25	4⅛	4	4	
MaysJ	85	9⅛	9	9⅛	+⅛
McCrm .88	293	35½	35	35⅛	
McFad	9	10⅜	10⅜	10⅜	
McFarl	38	13	12¾	12⅞	+⅛
McGrth	33	9⅛	8¾	8⅝	-½
Mechtr s	5	13¼	13¼	13¼	
Medex .05	227	9	8½	8½	-¼
MedCre	98	6¾	6½	6⅝	
MedclSt	48	13¼	12¼	12¼	-1
MedShp	141	23¼	23	23⅛	-⅛
MedrGi	222	5¼	4¾	4¾	-½
Medpl s	133	25	24¾	25	+¼
Megdt s	30	5½	5⅜	5½	
Mentor	102	19¼	19	19¼	
MentrG	1669	26⅛	24¾	25⅛	-⅞
MercBc 1.92	42	37½	37⅜	37½	+⅛
MercBk 1.68	8	50½	50	50½	+½

Indices

NEW YORK-DOW JONES

	May 14	May 13	May 10	May 9	May 8	May 7	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,273.3	1,277.5	1,274.18	1,260.36	1,249.78	1,252.78	1299.36 (1/3)	1184.96 (4/1)	1299.36 (1/3/85)	41.22 (2/7/32)
Transport	609.72	617.36	617.93	604.30	594.66	593.48	635.30 (1/3)	553.63 (4/1)	635.30 (1/3/85)	12.32 (8/7/32)
Utilities	158.70	158.85	159.73	159.11	157.93	157.87	159.73 (10/5)	146.54 (4/1)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol		85.8m	140.2	140.2m	181.3m	180.1m	–	–	–	–

	Apr 26	Apr 19	Apr 12	Year Ago (Approx)
Ind Div Yield %	4.79	4.82	4.82	4.72

STANDARD AND POORS

	May 14	May 13	May 10	May 9	May 8	May 7	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	203.46	204.39	203.95	201.45	200.66	200.44	205.15 (1/3)	182.24 (4/1)	205.15 (1/3/85)	3.62 (30/6/32)
Composite	183.87	184.61	184.28	181.92	180.62	180.76	184.61 (13/5)	163.68 (4/1)	184.61 (13/5)	4.40 (1/6/32)

	May 1	April 24	April 17	Year Ago (Approx)
Ind div yield %	3.93	3.84	3.85	3.93
Ind. P/E Ratio	11.20	11.28	11.27	12.42
Long Gov Bond Yield	11.33	11.33	11.28	12.84

N.Y.S.E ALL COMMON

May 14	May 13	May 10	May 9	1985 High	1985 Low
106.48	106.85	106.64	105.31	106.85 (13/5)	94.60 (4/1)

RISES AND FALLS

	May 13	May 10	May 9
Issues traded	1,999	1,980	1,992
Rises	866	1,226	1,063
Falls	652	384	475
Unchanged	481	370	454

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
ATT	1,730,700	22½	+ ⅛
IBM	1,312,300	128⅝	−1⅜
Signal	1,104,200	39⅞	+2⅛
Gen Elec	1,058,200	58¾	−1⅛
Atl Rich	889,800	58⅝	− ⅛
CSX Corp	887,400	25½	+ ⅞
Bankamer	775,400	21¼	+ ⅜
Bellsouth	770,300	38⅝	− ⅛
Gen Motors	743,900	66½	−1
Sperry Cp	738,200	54⅞	+ ⅞

Advances 882 Declines 826

TORONTO

	May 14	May 13	May 10	May 9	1985 High	1985 Low
Metals & Minls	2,015.8	2016.3	1,996.3	1,978.8	2198.7 (13/2)	1896.8 (4/1)
Composite	2,668.5	2649.8	2,634.1	2,615.5	2662.5 (8/1)	2348.5 (8/1)
MONTREAL Portfolio	130.65	129.79	128.75	127.83	132.77 (5/3)	117.00 (4/1)

* Indicates pre-close figure

	May 14	May 13	May 10	May 9	1985 High	1985 Low
AUSTRALIA All ord.(1/1/80) Metals & Minls. (1/1/80)	886.5 567.8	892.7 575.2	894.5 565.5	889.0 579.4	898.5 (14/5) 578.3 (14/5)	715.3 (7/1) [illegible]
AUSTRIA Credit Aktien (2/1/62)	94.58	94.78	95.38	94.85	95.38 (10/5)	[illegible]
BELGIUM Brussels SE (1/1/80)	2228.27	2233.57	2220.46	2218.56	2318.85 [illegible]	[illegible]
DENMARK Copenhagen SE (3/1/83)	185.75	186.22	188.84	187.02	192.79 (24/4)	[illegible]
FRANCE CAC General (31/12/82) Ind Tendance (28/12/84)	220.7 121.9	220.2 121.4	218.28 119.70	217.40 118.18	220.7 (14/5) 121.9 (14/5)	180.9 (3/1) 100.1 (3/1)
GERMANY FAZ Aktien (31/12/58) Commerzbank (1/12/53)	432.57 1265.6	429.11 1261.2	426.84 1244.60	425.96 1,244.5	432.57 (14/5) 1265.6 (14/5)	382.38 (3/1) 1111.8 (3/1)
HONG KONG Hang Seng Bank (31/7/64)	1615.00	1620.29	1613.34	1,618.09	1828.29 (15/3)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	305.07	294.47	286.02	285.85	305.07 (14/5)	[illegible]
JAPAN** Nikkei-Dow (16/5/49) Tokyo SE New (4/1/68)	12604.2 978.55	12641.5 981.38	12527.5 979.49	12474.5 981.07	[illegible] [illegible]	11545.2 (5/1) 916.35 (4/1)
NETHERLANDS ANP-CBS General (1970) ANP-CBS Indust (1970)	207.8 171.3	209.1 171.3	209.1 172.5	208.7 172.1	213.9 (8/5) 176.2 (7/5)	188.6 (3/1) 147.8 (3/1)
NORWAY Oslo SE (4/1/83)	352.27	354.48	352.58	351.46	348.8 (8/2)	296.16 (2/1)
SINGAPORE Straits Times (1966)	804.24	801.64	798.12	791.76	882.06 (7/3)	784.58 (16/1)
SOUTH AFRICA JSE Gold (28/9/78) JSE Indust (28/9/78)	— —	1091.1 922.7	1089.1 911.5	1087.2 906.5	1140.8 (15/4) 922.7 (13/5)	888.1 (11/2) 787.1 (2/1)
SPAIN Madrid SE (28/12/84)	111.49	111.28	111.17	111.36	117.41 (4/2)	101.46 (3/1)
SWEDEN Jacobson & P (1/1/58)	1408.94	1424.75	1468.58	1,455.41	1488.96 (11/2)	1381.88 (2/1)
SWITZERLAND SwissBank Cpn.(31/12/58)	451.4	456.0	452.5	429.7	458.8 (13/5)	408.7 (2/1)
WORLD Capital Intl. (1/1/70)	—	207.7	206.1	204.6	207.7 (13/5)	184.6 (4/1)

** Saturday May 11: Japan Nikkei-Dow (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

FINANCIAL TIMES SURVEY

South Korea

Within a generation, South Korea has risen from dire poverty and war to economic power. Now it faces crucial social and political decisions on its future.

Prodigy on brink of adulthood

By Anatole Kaletsky

SOUTH KOREA today is like a child prodigy on the brink of adulthood. For more than 20 years the world has marvelled as this extraordinary nation, born in the ashes of war with no inheritance but native wit and driving ambition, has performed feats of economic agility which seemed to defy all experience or expectations.

Within a generation it has pulled itself up from direst poverty to within hailing distance of some European countries. Its income per head in 1960 was below that of Bolivia, Sudan and Ghana, yet today South Korea is far ahead of Turkey and closing on Portugal and Yugoslavia. This year its GNP per head will break through the symbolic $2,000.

Korea is at the level of economic development and per capita output, adjusted for inflation, reached by Japan in the late 1950s. Within another generation it expects to be enjoying living standards equal to Japan's today.

In one market after another Korea's industries have challenged the U.S., Europe and Japan. In civil engineering, it leads the world; in shipbuilding it is second only to Japan; in steel, electronics and automobile manufacture it is becoming an impressive force.

All this has been achieved alongside an exceptional commitment to economic equality and social welfare. Ever since land reforms in the late 1940s redistributed three-quarters of the cultivable land, and fixed a constitutional ceiling of three hectares on any individual's holdings, Korea has been a passionately egalitarian country. Elimination of poverty, provision of health and education and judicious use of subsidies and price controls to ensure that rural population shared in the benefits of industrial productivity growth have been pivotal to the Government's economic plans.

Korea's income distribution is almost as equal as in Israel and Yugoslavia and is a far cry from the extremes of poverty and wealth in other industrialising countries like Mexico and Brazil. It has all but eliminated malnutrition and spectacularly improved the health of its people — life expectancy has risen by an average of eight months every year that has passed since 1960.

It has achieved universal literacy and today a Korean teenager is more likely to complete a full high-school curriculum than a youth in Italy or Britain.

Yet with all these accomplishments, Korea seems strangely insecure as it prepares to claim its place among the affluent nations.

Formally, this place may come towards the end of the decade, when Korea may become the first developing country to join the club of advanced industrialised countries, the Organisation for Economic Co-operation and Development. Emotionally, Korea's moment of maturity seems even closer.

As the country prepares to host the Olympics in 1988, it revels in the first intoxicating experiences with democracy after February's legislative elections. Above al, it awaits with trepidation to see if President Chun Doo Hwan will fulfil his promise to allow in 1988 the nation's first peaceful transition of power.

Possessive

The impatience is almost palpable. Koreans can hardly wait to cross the threshold from the third to the first world.

But as the prodigy comes of age, it is discovering that there is more to adult life than economic virtuosity. The single-minded pursuit of modernisation has left an embarrassing gap between the country's economic maturity and its dangerously backward, potentially oppressive, political system.

Like a possessive parent, the military establishment which guided Korea through its early triumphs is reluctant to let go, even as the maturing nation reaches for greater freedom.

On the other side opposition politicians and student leaders are like impetuous youths; they see no reason why their country should have to wait for full democracy a moment longer. They have been seeking democratic rights for more than 20 years. Some, like the charismatic Mr Kim Dae-Jung, have spent much of their adult lives in prison or exile.

They have run out of patience and are in no mood to compromise with President Chun's ultra-cautious plans for reform.

There are good reasons, then, why many Koreans are full of trepidation about their political future. The stunning swing against the governing Democratic Justice Party in the February elections has undercut the president's gradualism and set both sides on a confrontation course.

Everybody, from Kim Dae Jung to some of the president's own advisers seem to agree on the causes of the Government's unpopularity. As Koreans move closer to the affluence and self-confidence of the advanced industrialised societies, their resentment increases for a ruler who shot his way to power and lacks political legitimacy.

A nation with universal literacy and education feels patronised by clumsy Press censorship and petty restrictions on political activity—even if many of the serious abuses have been rectified, with the exception of the continuing ban on public political activity by Kim Dae Jung and Kim Young Sam, the other main opposition leader.

"They see democracy as the one thing the Japanese, Americans and Europeans have got and they haven't," says a foreign banker.

The great question now is whether these open resentments will make President Chun even tougher and more defensive, further alienating the opposition and the people. This could restore the vicious circle of ever-intensifying repression and dissidence which has never left the heart of Korean politics.

Every Korean remembers how the student protests which ousted President Syngman Rhee in 1960 were followed rapidly by the military's first seizure of power. And it is only too easy to imagine Korea's economic accomplishments being discredited by another political disaster like President Park Chung Hee's assassination in 1979 and the bloody suppression of the Kwangju riots which led to Gen Chun Doo Hwan's military coup.

Even in the present relatively easy going atmosphere of Seoul taxi drivers will frequently roll up their windows when they pass a university campus. Tear gas is a daily hazard as student militants attempt to take to the streets with their demands for "democracy now." Battalions of heavily-armed riot police ensure that they do not take a step outside their university grounds.

In spite of the dangers of confrontation, however, there are reasons for optimism about the political outlook. The real gap between the Chun administration and the opposition is tiny in comparison with the vast ideological gulfs in many other developing countries.

There is almost complete consensus on the basic issues of anti-Communism, pro-U.S. foreign policy, military vigilance against North Korea and the economic system which a presidential adviser describes as "full-blooded capitalism with Korean-style welfare."

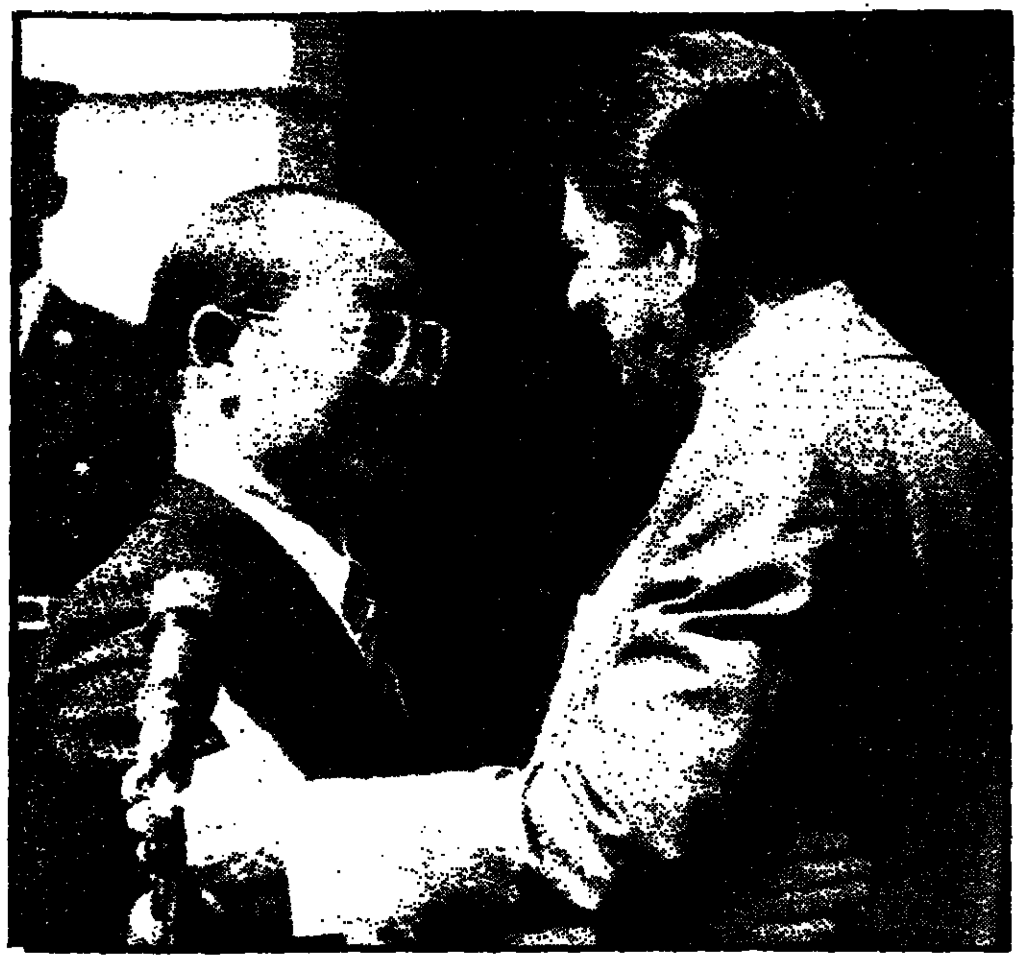
It is only the introduction of democracy, heavy tinged with personality politics, which separates the Government from the opposition. Personal ambitions and animosities can precipitate political disasters and it is possible to understand the opposition's fear that the Government will abuse the electoral system to ensure an orderly but meaningless "transfer of power" from President Chun to a handpicked successor with military connections.

Nevertheless, examples in other third world countries, particularly Brazil, show how readily the democratic process can develop an irresistible momentum once given half a chance. And it would be churlish to deny, after February's election, that President Chun has shown himself to be something of a democrat.

If nothing else, pressure from the U.S. Congress, in no mood for indulgence towards third world dictatorships flooding America with cheap imports, should help push the government towards democracy rather than repression.

But poltical growing pains are not the only problems which Korea faces as it moves towards

CONTINUED ON PAGE 8



President Chun (left) met President Reagan as a close ally in Washington this year but he faces pressure from the U.S. Congress to push towards full democracy in South Korea

CONTENTS

Teeth gnashing on tight money overkill

Economy

ANATOLE KALETSKY

ECONOMICS TAKES on an Alice in Wonderland quality in Korea. Imagine, for instance, the business community wailing and gnashing its teeth in response to the following economic prospects: 6.8 per cent GNP growth; inflation of 2 to 3 per cent; an 8 to 9 per cent increase in exports; to top it all off, a fiscal boost amounting to 9.7 per cent in extra government spending, just to ensure that the economy keeps roaring ahead in the following year.

Yet businessmen's dismay about immediate prospects is almost universal. "Tight money is overkilling the economy," insists Mr Koo Suk Mo, vice-president of the Federation of Korean Industry, and these words are echoed all over the country, particularly among the big industrialists. In line with government instructions to favour smaller businesses, banks are refusing new credit to giant conglomerates, which are being forced to turn to the unregulated short term paper markets at interest rates of 15 per cent or more in real terms.

Turning to export prospects, the outlook seems equally daunting. The U.S. market, which last year absorbed 36 per cent of Korea's $29.2bn in exports, is turning sluggish and raising new protectionst barriers all the time.

Japan, the second biggest export market spent $1.2bn more on Korean goods last year than in 1983, but increased its sales to Korea by $1.4bn, thus widening the yawning bilateral trade deficit which is at the root of Korea's whole balance of payments problem.

In Europe, Korean exports are running into real trouble, not only because of protectionism, but because the won, informally pegged to a basket of currencies dominated by the U.S. dollar, has appreciated in value, undermining the competitiveness of Korean goods.

Does all this mean that business and Government disagree with the Korea Development Institute's official forecast of 6.8 per cent growth in 1985, published earlier this month?

Growth

Not necessarily; there may be doubts about the precise growth rate, especially if a marked slow down in the U.S. economy reduces world trade growth below the institute's 4-5 per cent expectation; but the real problem lies in the incredibly ambitious expectations built up over the past two decades.

Since 1960, Korea's growth has averaged 8.7 per cent a year, and to revised five-year plan published by President Chun in 1983 promised a growth rate of 7.5 per cent a year from 1984 to 1986. The sixth plan, which is now in preparation by the Korean Development Institute, will aim for a similar growth rate in 1987-91 and Mr Ahn Sung Chul, president of the KDI, insists that 7-8 per cent annually is a realistic projection of Korea's long-term growth potential until the end of the century.

Thus, in the wonderland of Korean economic history, a growth rate of 6.8 per cent, two percentage points below the historic average, is seen as a disappointment, not a triumph. If even the KDI's forecast is not achieved — and private economists generally expect a growth rate nearer 6 to 6.5 per cent this year—there could be real difficulties for some Korean businesses.

Companies with debt-equity ratios of five or more and the slimmest of profit margins have prospered for years in Korea on rapidly expanding cash flows. A shortfall in sales growth of a few percentage points can easily spell financial disaster to such an over-extended business, as it did last year to the huge Kukje Group.

The government too is caught on a high-growth treadmill, for it has set itself some exceedingly ambitious targets.

Government planners consider growth of 6 to 6.5 per cent a year to be the absolute minimum acceptable.

They are also committed to preventing any significant acceleration of inflation beyond last year's 2.3 per cent level. Inflation, it is said, is a particular phobia for President Chun, who is convinced that it was at the root of the social unrest which led to Park Chun Hee's assassination.

The balance of payments is the third crucial target of government policy. The current account deficit hit a peak of $5.3bn in 1980 and had been slashed to $1.4bn by last year. This year it is forecast at $1bn, compared with a projection of $0.6bn published by the Economic Planning Board late last year. The EPB's hopes of a $0.4b current account surplus by 1986 now look completely unrealistic.

But the current account cannot be allowed to stray too far off target, for in the background there is always the shadow of the country's huge foreign debt. Estimated at $43.1bn at the end of last year, the debt is bigger than Brazil's, in relation to population or GNP, although it is much smaller in relations to exports: Korea's ratio of debt service to exports is 19 per cent, against Brazil's 92 per cent.

To reconcile the three macro-economic objectives of growth, price stability and balance of payments improvement, the government will have to use every policy instrument at its disposal—including some which may conflict with the micro-economic goals of long-term industrial restructuring and economic liberalisation.

The normal instruments of macroeconomic policy are unlikely to suffice because they create conflicts among the government's basic targets.

Tight monetary policy suppresses inflation but also endangers growth. Devaluation of the won boosts exports but threatens price stability. Fiscal expansion can stimulate domestic growth if export demand is flagging, but it will tend to suck in imports and widen the current account deficit.

Export

This is why statements by Korean officials, for all the general rhetoric about economic liberalisation and non-intervention, are peppered with instances of government involvement in every aspect of economic decision making.

The trade balance with Japan must be improved by "carrying out import substitution strategies more assiduously" in the capital goods industries, the Bank of Korea reported recently.

The Ministry of Trade is trying to identify 1,000 successful medium-sized firms which will be encouraged to export through preferential access to bank credit, even though officials argue that "there will be no discriminatory interest rates or tax treatment" in their favour.

Although the Government no longer undertakes explicit industrial targeting, it continues to vet the large conglomerates' activities in certain key industries, including auto production, electronics, shipbuilding and aerospace.

And officials point out proudly that the fiscal boost which is planned for the economy this year, will be carefully targeted to maximise its income on growth and minimise costs to the balance of payments.

In principle, of course, there are some very liberal economic policies which the government could try using instead to help reconcile its diverse objectives. Dergulating financial markets, for instance, should help increase the savings ratio and hence improve the balance of payments. Opening the stock market to foreign portfolio investment [illegible] to finance the current account and reduce the [illegible] as well as improving financial structures of Korean companies and thus promoting industrial growth and capital spending.

But such initiatives are also fraught with danger. In an uncertain world, Korean officials are not inclined to take too many chances. When painted into a corner, familiar methods which served well enough in the past are a tempting alternative to radical and risky new ideas.

Key economic indicators

	1960-70	1970-82	1983	1984	1985
GROWTH RATES (%)					
Real GNP	8.6	8.6	9.5	7.6	6.8
Export volume	34.7	20.2	13.8	15.6	8.0
Manufacturing output	17.6	14.5	10.9	14.6	14†
Population	2.6	2.3	1.6	1.5	1.5
Consumer prices	12.2*	15.9	3.4	2.3	2.3
Wages	20.7	24.6	12.2	8.1	6†
Real wages	13.0*	8.7	8.8	5.8	2†
Productivity	—	10.3	12.5	8.8	—
END OF PERIOD					
GNP per capita ($)	248	1,800	1,884	1,998	2,135
Annual wages ($)	542	4,032	4,224	4,428	—
Current account ($bn)	−0.6	−2.3	−1.6	−1.4	−1
External debt ($bn)	2.2	37.2	40.4	43.1	45
Debt service ratio	19†	21†	19†	19†	18†
Exports (% of GNP)	15	36	37	38	—
Man'f'ctures (% of GNP)	21	28	28	29	30

* 1965-70. † Wharton Econometrics.
Sources: Bank of Korea; Korea Development Institute; Wharton Econometrics

Far from the ideal free market model

Economic planning

ANATOLE KALETSKY

FOR NEARLY two decades, the history of South Korea's economic miracle has been continuously rewritten to suit the fluctuating intellectual fashions in the U.S. and Europe. A recent World Bank paper describes it as "a process of selective enhancement and judicious editing."

Economists downplay what another World Bank report in 1983 called the "strong partnership between government and the private sector, which is perhaps the most striking similarity between the systems of management in Korea and Japan." Instead they say government spending absorbs a lower proportion of GNP in both Korea and Japan (about 19 per cent) than in almost any other country.

They say Korea has oriented its economy towards exports instead of protecting inefficient domestic industries. Korea's businessmen are praised for responding rapidly and flexibly to the discipline of competitive market forces. And Korean labour is lauded for its industry, lack of militancy and willingness to accept low wages.

All these generalisations are valid, yet each disguises as much as it reveals about the Korean miracle.

The government officials who work for the Economic Planning Board may no longer be regarded as heroes of the Korean miracle, but the EPB remains the single most important organ of government. It is represented in the cabinet by the deputy prime minister and has a direct input into all decision-making by other ministries. Although most EPB officials support moves towards financial liberalisation and the decentralisation of economic decision-making, they make few apologies for the EPB's interventionist past.

The first three five-year plans (from 1962 to 1976) succeeded in attaining or beating their main targets and are accepted in Korea as the foundations for economic success. It was only as the fourth five-year plan ran into the ground in 1979-80 against the background of the second oil crisis, rising inflation and political unrest connected with President Park Chung Hee's assasination, that many EPB officials became disillusioned.

Even after the "liberal" faction within the EPB won wholehearted backing for more market-oriented policies from President Chun Dae-Hwan, Korean economic policy in the 1983 revision of the current (fifth) five-year plan is a far cry from what is understood by laissez-faire economics in Europe and the U.S. — to say nothing of countries like Chile.

Protectionist

Korea is so far from the ideal free market model that even the Government's desire to "liberalise" the country's trading and industrial structure will involve so much interventionism that it will remain a planned economy for the foreseeable future.

The export drive, for example, took off from an industrial base built behind high protectionist barriers designed to promote labour-intensive import substitution, as well as exports. Today the watchword is trade liberalisation, but the Government continues to play an intensive part in export promotion, allocation of markets and export products among trading companies, and the protection of strategic or "infant" industries.

The same is true for efforts to make the domestic economy more like the competitive and market-oriented picture sometimes projected by Western economists.

Korean industry is extraordinarily concentrated, with a handful of conglomerates, or chaebols, controlling all of the "commanding heights" of the economy. Nine of the chaebols account for more than half of Korea's exports. Within the chaebols cross-subsidisation is rife between profitable divisions and those which make losses.

"Korean managers don't give much emphasis to profits; they want to be number one in size, not number one in profits," said Mr Koo Suk Mo, chief economist of the Federation of Korean Industry, with apparent approval.

The Government believes this economic giantism to be dangerous and unhealthy as Korea's economy becomes more complex. To force the chaebols to contract it has imposed detailed and onerous lending regulations on the "liberalised" financial system designed to favour small businesses. It is also not averse to instructing the chaebols directly on which industries they should enter and which they will have to abandon.

Profits

In any case, the dominance of the chaebols is such that it will be many years before any of the key economic sectors bear much resemblance to a textbook competitive market model.

Even Korea's labour market is a far cry from a textbook competitive model. There may be no disputing the industriousness of Korean workers, and even in a freer political environment most businessmen believe that trade union militancy would not be a serious problem.

"I've met people here who worked 60 hours a week for three months without taking any wages, because their company was in trouble," says an incredulous British banker.

But profits have persistently been modest by international standards. Operating profits have averaged 10.1 per cent of total assets employed in Korean manufacturing between 1974 and 1983, and net profits after financial expenses have averaged 3.1 per cent of assets.

Wages, on the other hand, have grown by 7.5 per cent a year in real terms since 1971, slightly higher than the rate of productivity.

More importantly, Korea has had an exceptionally equal distribution of income ever since the land reform of 1946 broke up large private landholdings. In 1982, average salaries for administrators and managers were only 2.5 per cent higher than average wage and salaries in the whole economy. During the mid-1970s this measure of income inequality had briefly widened to a ratio of 3.4, and it is one of President Chun's proudest boasts that he had narrowed the income distribution back to its structure of the late 1960s.

This has been achieved through a combination of egalitarian tradtions, moral "persuasion" from the government and, most importantly, "the good fortune that our society was completely levelled after the War," a senior economic planner says.

But dangers may lie ahead now that the first generation of the Korean miracle is giving way to the second," he says.

"Unless we decide to introduce inheritance taxes like they have in Japan, we will eventually have the same distribution problems as America and Europe."

Therein lies the clear lesson which can be drawn from all the successful Far Eastern economies. Somehow their economic miracles were never hijacked by the vested interests and small political elites which are so familiar in countries like Brazil, Mexico and the Philippines, to say nothing of black Africa. In Korea, Taiwan and Japan there were no monopolies over land, natural resources or even education to create vested interests before the economic takeoff started.

As Mrs Anne Krueger, the World Bank's chief economist and a leading scholar on Korea points out: "The lucky countries are the ones with no resources."

Bold opposition demands change

Politics

RICHARD COWPER

A WHIRLWIND SERIES of developments culminating in what many have interpreted as a stunning electoral success in February for the country's newly-formed opposition party has brought about a remarkable transformation of the South Korean political scene.

Mr Chun Doo Hwan, who has three more years to run as president, still retains firm control over the levers of power under a constitution which prevents a full measure of democracy. But for the first time since he seized power in a 1979 military coup President Chun has allowed a significant relaxation of the heavy hand of autocracy.

A bold and sizeable opposition, fundamentally opposed to military rule and the constitution, has been allowed to win a place in the National Assembly because of the most free and fair elections in South Korea for almost 15 years.

The coming months may prove vital in deciding whether President Chun's unexpected "liberalisation" experiment is destined for success or failure. Neither the Government nor the military expected such a strong showing from the opposition, nor that so many of the population should have made it so clear the regime and political programme was unpopular.

The traditional forces of authority, notably a small but influential group of hardline military and ex-military officers, appear increasingly alarmed at what they see as a president losing his grip. They seem to be regrouping for battle with an opposition in no mood to go back on its call for a revision of the constitution and a clear-cut programme for democracy.

Demonstrate

Many hope a showdown can be avoided. In a country ruled by military strongmen since 1961, few doubt the winner would be the military. Most Koreans would probably like to see President Chun and the opposition agree to a compromise which would neutralise the hardline elements on both sides and allow the experiment with demoracy to continue.

By Korean standards the country has moved a comparatively long way in a very short space of time. Until about a year ago, President Chun ruled the country with an iron grip.

The National Assembly was a rubber stamp, opposition figures were banned and Kim Dae Jung, the most famous opposition leader, was banished to the U.S. The Press was strictly controlled, the trade unions suppressed and riot police patrolled the universities.

But in 1984 the President launched a gradual programme of "liberalisation." It was at overcoming his poor image abroad on human rights and securing international recognition for moderation in the 1985 National Assembly election, This was an important mid-term test of the success and popularity of his seven-year presidency.

Amongst the measures implemented in 1984 were:

- The ban on all but 14 of 301 opposition politicians was lifted.
- Riot police were withdrawn from university campuses and students allowed to demonstrate on campus.
- Stringent Press controls were relaxed to allow constrained reporting of strikes, demonstrations and opposition attacks on the Government.
- The formation was allowed of an independent opposition party—the New Korea Democratic Party.
- A decision to hold a relatively free election.

President Chun had not changed from autocrat to democrat overnight. But he seems to have felt that his diplomatic achievements abroad, successful containment of the threat from the North and a booming economy at home all offered an attractive backdrop to secure public approval of his regime. He may also have felt that the time was ripe to encourage a more mature political system in a country which has never experienced a peaceful transfer of power.

But as the election approached things seemed to go badly wrong. What had started as a cautious experiment in liberalisation took on a life of its own. Students demonstrated in record numbers and tear gas was a daily fact of life on the streets of Seoul.

The North Korea Democratic Party formed by Korea's two most famous opposition politicians—Kim Young Sam and Kim Dae Jung—united those opposed to President Chun.

Six days before the election the almost unthinkable happened when Kim Dae Jung, President Chun's almost implacable opponent, was allowed to return home, though without his full rights being restored.

To the surprise of a nation unused to much freedom, the NKDP condemned the government as authoritarian and lacking legitimacy. It offered few alternatives in foreign or economic policy but the opposition's demand for revision of the constitution and quick restoration of democracy struck a responsive chord.

The NKDP swept to victory in most cities, winning almost 30 per cent of the vote against 35 per cent for the Government's Democratic Justice Party.

A complicated constitutional measure giving the party receiving the highest vote a large bonus of seats meant the DJP had a clear majority in the National Assembly. The outcome, however, was widely interpreted as a major victory for the NKDP, a rebuke for President Chun and a call for more democratic government.

It shocked the military, the government and President Chun, who quickly reshuffled his cabinet and appointed Roh Tae Woo, a hardline retired general and friend to head the DJP. Roh Tae Woo is being seen as a potential successor to President Chun.

These moves failed to stop the mood for change. In the last few months more than three-quarters of the assemblymen from a hitherto compliant Democratic Korea Party, which won 20 per cent of the vote in the election, have defected to the NKDP. With other desertions the NKDP now represents about 50 per cent of the electorate.

The opposition is calling for President Chun to resign before his term expires in early 1988, and demanding a direct electoral vote for the presidency. The constitution provides for a single term of seven years for a president to be appointed through a 5,000-strong electoral college. The opposition claims that the system can be manipulated by the government.

The NKDF is also demanding speedy release of more than 100 political prisoners, and a pardon for Kim Dae Jung, who still theoretically faces a sentence of 17 years in prison for sedition.

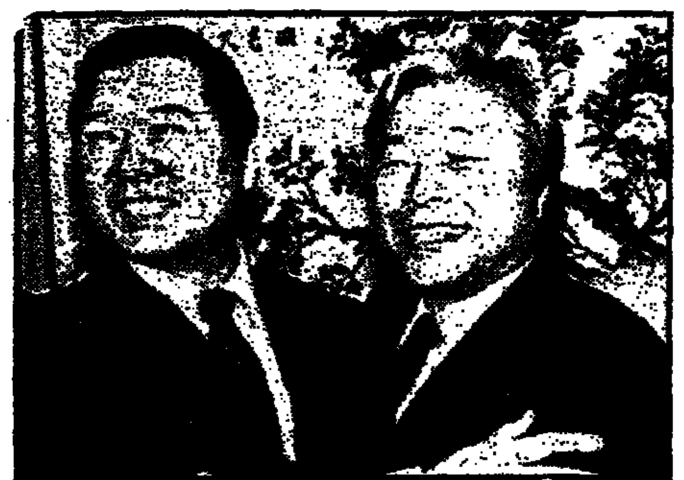
The Government feels it has gone far enough and is digging in. Opposition demands have been rejected and President Chun, who has promised to step down in 1988 to ensure a peaceful transition of power, said he would "neither lengthen nor shorten his term by one day." He also ruled out any change of the constitution before 1988.

Some opposition members have warned privately that if the Government refuses to budge there may, in the words of Kim Young Sam, be a "big uprising." This may provoke a confrontation with the military, which would be tempted to take over again.

The hope is for an acceptable compromise, possibly ensuring a peaceful transition of power in 1988 to a retired military officer with a more civilian outlook who would create a more democratic government.

South Korea might yet be able to break out of the remorseless cycle of liberalisation, confrontation and crackdown that for 38 years has bedevilled attempts to develop a more mature political system.

Police struggle with an opposition supporter in a demonstration at the return from exile of Kim Dae Jung



Dissident leaders Kim Dae Jung (left) and Kim Young Sam meet for the first time in five years after a ban on political activity was lifted

PROFILE: KIM DAE JUNG

Doubts shadow rebel leader

FOR SOME he is a hero, defender of the poor and oppressed; the liberal conscience of Korea back from the wilderness, and destined to lead his country along the path of true democracy after more than two decades of unbending military autocracy.

Others believe he is a dangerous radical guilty of attempting to everthrow the government; a demagogue, and potential martyr who will stop at nothing to become the next leader of South Korea.

Kim Dae Jung is hated by the military and loved by students and followers, particularly from his own south Cholla province. Such are the conflicting views and emotions aroused by Korea's most well-known opposition politician that it is not easy to uncover the real man behind his public masks.

> 'He is essentially an opposition politician who thrives on conflict in a society where that is unacceptable'

Kim comes over as an ambitious, brave, long-suffering liberal democrat who believes the time is ripe for the military to hand over to a democratically-elected civilian government. The success of the opposition in February's general election "clearly showed that the people are totally dissatisfied with the military dictatorship," he says.

If President Chun does not pave the way for a true restoration of democracy then Korean society would become polarised, "there will be a serious clash between our young people and the military, and Korean democrats will lose our base for ever."

Kim Dae Jung believes that the U.S., as a key player and an important ally, has a duty to use its power and influence to secure a restoration of democracy.

"They were quick to back Chun after he seized power, but such a policy is fraught with danger," he says. "In the interests of security, the U.S. has supported military regimes everywhere—in Cuba, in Vietnam—and everywhere they have lost. If the State Department wants to avoid a repeat of the Philippines, now is the time to act."

President Chun should move quickly to release remaining political prisoners, restore civil rights and amend the constitution to allow a direct election of the president in 1988, he says.

If elected, Kim Dae Jung would grant a real measure of autonomy to local government, guarantee the rights of unions, and adopt a free market economic policy which distributed the fruits of development more equitably and ensured a social justice for all.

He would make a concerted effort to open a dialogue with North Korea, seek a greater improvement in relations with Moscow and Peking and instigate closer co-operation with the Third World.

When the situation was ripe, he could seek "a gradual build-down of U.S. troops in Korea," he says.

These hardly seem the ideas of a dangerous left-wing radical. But in a country where communism is regarded as an unspeakable evil and where right-wing authoritarianism has been the norm in government for so long, it is hardly surprising that they instil fear into the hearts of the establishment.

Outside his solid group of supporters, many would-be democrats find it difficult not to express admiration for Kim. He nearly won the 1971 election; he has been kidnapped by Korean intelligence; was in and out of prison for 14 years; sentenced to death; banished abroad and is still fighting.

But they fear he may not be the best man to lead South Korea safely on to the difficult road of democracy.

An American-educated professor says: "He is essentially an opposition politician who thrives on conflict in a society where that is still basically unacceptable. After all his experiences, he does not seem to be capable of compromise.

"I have serious doubts whether he can secure a stable transition to democracy, uniting the country behind him."

If the military remained neutral, if there was a free and fair election in 1988, and if the opposition united behind him, Kim Dae Jung might just come out on top. But there are just too many ifs. Few analysts seem to dispute the view that the charismatic Kim has little or no chance of becoming South Korea's president.

In the words of a former U.S. ambassador to Korea: "The military and the government practically hate him, business distrusts him, the U.S. is uncomfortable with him and the opposition is hardly united behind him. Against a line-up like that you can draw your own conclusions."

Export boom unlikely to lose steam

Trade

RICHARD COWPER

SOUTH KOREAN exporters and economic planners like to portray themselves as being buffeted by a rising tide of protectionism in key markets, and by a growing wave of new low-cost producers.

This vision of an embattled export economy struggling successfully to increase headway on the stormy seas of international trade is not inaccurate. In textiles, the country's top export (accounting for 23 per cent of 1984 exports of $29.3bn), China is beginning to pose a challenge in traditional markets.

Last year more than a dozen anti-dumping charges and duty actions were taken against Korean exporters in the U.S., the most notable in steel and TVs. Seoul eventually agreed to limit shipments of finished steel to 1.9 per cent of the U.S. market, while three Korean TV manufacturers were forced to pay an average of 12 per cent in penalty duties on exports they had made.

The Ministry of Trade says there are "unfair trade practice cases" still pending on oil rigs, footwear, photographic albums and pianos.

In Japan, Korea claims it faces tariff duties of double the average rate on products where it feels it has a clear comparative advantage—something unlikely to be changed because of Tokyo's efforts to comply with U.S. demands for a more open market.

"Protectionism has become *the* major problem for our economy, and it is an evil which is growing. In 1984 some 37 per cent of our exports were subject to some form of protectionist measure. This year we estimate it will increase to about 41 per cent," says Mr Kim Chulsu, assistant Minister for Trade and Industry.

If the past is any guide, however, there is little evidence that either protectionism or competition from new low-cost producers will stop the South Korean export juggernaut.

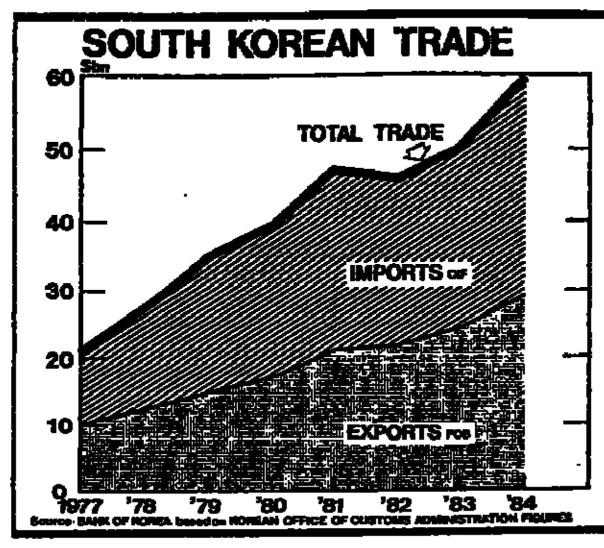
Ever since President Park Chung Hee took the flagging Korean economy by the scruff of its neck in the mid-1960s, the motto of the country's business leaders and economic planners has been 'export or die'. With a comparatively small domestic market, Korea adopted a strategy of borrowing abroad to finance its industrial growth and then proceeded to export successfully a major proportion of the output.

Starting with textiles, plywood and footwear in the 1960s and then shifting to chemicals, shipbuilding, machinery and steel in the late 1970s, Korean exports have expanded by more than 30 per cent a year on average since 1963. This has catapulted Korea from a poor developing country to one with upper middle-income status in just over two decades.

Such an export-led strategy is not without risks. The country has one of the highest foreign debts in the world. Its dependence on exports for economic growth (last year two-way trade of $53.6bn accounted for 66 per cent of GNP) makes it particularly vulnerable to changing external circumstances.

Pessimists say a combination of misguided new investments, renewed recession in the West, strong competition from new entrants and a further rapid increase in protectionism could bring the Korean export engine to a grinding halt. Most Korean economists disagree. A major recession is not in sight and they point out that energy-dependent South Korea survived two oil shocks and the worst recession for 45 years and still came out flying.

Last year, for example, exports grew 20 per cent to $29.3bn at a time when world trade grew by 10 per cent. This year Korea's Ministry for Trade is forecasting further growth of about 13 per cent to $33bn.



Electronics

Some believe that a poor performance in the first quarter when exports were down 8 per cent to $5.8bn over the same period in 1984, means that this target is unattainable. But a complex mix of statistical reasons and special circumstances seems to indicate that the figures may have been unrepresentative.

Steel, textiles, footwear and ship exports have already picked up and according to the Trade Ministry are now exceeding last year's levels. Relatively new export products, notably cars and video cassette recorders, are also coming on the market for the first time in larger numbers.

Barring unforeseen circumstances, few believe that Korea's export drive is likely to veer far off course in 1985.

Two new strategic export industries in the making are electronics, and automobiles and parts. Last year electronics was the country's star performer with record export sales of $3.2bn—up 32 per cent on 1983. Analysts say exports may touch $4bn this year.

"At the bottom end of the world TV market, Korea is already a force to be reckoned with. Now it may be set to repeat its success with VCRs, and in the not too distant future with personal computers and microchips," says one economist.

Last year—much to its surprise—Korea exported 52,000 cars, half to Canada. This year it hopes to sell up to 100,000, and by the end of the decade it plans to be producing 1.3m cars a year, of which 600,000 would be sold abroad. In spite of links with Mitsubishi and General Motors, many believe this may be considerably over-ambitious.

Some analysts fear that Korean exporters may get their fingers badly burnt because of a tendency to rush headlong into markets without sufficient product expertise or solid judgment as to what the market will bear. Critics point to Korea's high-cost investment programmes in cars, microchips and to a lesser extent shipbuilding.

The Government admits that Korean exporters are often short on marketing, but argues that protectionism and the reluctance of industrialised countries to part with high technology are the main causes of the slower rate of return in such industries.

Korea has responded to protectionism in the U.S. and Japan by attempting to diversify markets and by import liberalisation. With the exception of construction exports to the Middle East—a still large but rapidly declining market—diversification has met with limited success. Japan and the U.S. still account for about half two-way Korean trade.

Nor is it clear how far South Korea is prepared to go in liberalisation. The Government claims that some 83 per cent of internationally classified import items are given automatic import approval. But on a weighted import value basis, it is clearly a much lower figure.

Interaction with two dominant neighbour states is changing

Symbiotic relationship in danger

Japan

ANATOLE KALETSKY

IN SPITE of the personal animosities bred by 50 years of sometimes brutal Japanese occupation, most Koreans acknowledge that Japan has provided both inspiration and material support for their country's modernisation. In many ways Korea has followed Japan's corporatist model of industrial development in its own economic planning and it has benefited enormously from flows of trade, investment, and technology across the Sea of Japan. Japan too has profited from this economic interaction, ever since the Korean War gave the first big external boost to Japan's engineering, textile and food industries.

This symbiotic relationship has now run into danger. Today, resentment about Japan's ever-growing trade surpluses, its technological dominance, and its protectionist practices is every bit as fierce in Seoul as it is in Washington or Detroit. If the strains continue to worsen, they could eventually lead to significant changes in Korea's trading patterns, as its insatiable requirements for foreign technology and capital equipment shift from Japanese manufacturers towards their American and European rivals.

Boomerang

Korea's complaints about Japan are twofold. First, its bilateral trade deficit with Japan is now so enormous, at $3.1bn in 1984, that it threatens Korea's ability to service its international debts and contributes indirectly to protectionist frictions with the U.S. and other trading partners.

Secondly, there is Japan's denial of advanced technology to Korean manufacturers, allegedly for fear of the so-called "boomerang effect" — the possibility that low-cost Korean competition will undercut Japanese dominance of certain high-technology markets. Japan's preoccupation with the "boomerang effect" is cited again and again by Korean businessmen as a growing impediment to co-operation between the two countries.

Because the Japanese relationship has been so crucial to Korea's economic development, any serious measures to redress these grievances could mean big upheavals for Korean manufacturers and their trading partners all over the world.

Between 1972 and 1983, Japanese companies provided Korea with 52 per cent of its direct investment, 55 per cent of its inward technology transfers and from 37 to 50 per cent of its capital goods imports.

For many years this extraordinary dependence on Japan worked in Korea's favour. Korea benefited both from the quality of Japan's equipment and from the marketing acumen and outstanding production management which came with Japanese direct investment and joint ventures.

The big bilateral trade deficits which resulted from the imports of Japanese capital goods seemed an acceptable price to pay for these benefits during most of the 1960s and 1970s. But in 1982 the Third World debt crisis suddenly undercut Korea's ability to finance its trade deficits through foreign borrowing. In the frantic effort to narrow deficits, Japan became a natural scapegoat — natural because 83 per cent of Korea's total worldwide trade deficit of $51.9bn between 1975 and 1983 could be attributed to the $43.1bn bilateral deficit with Japan.

In 1984, while trade with nearly every other country moved in Korea's favour, the trade deficit with Japan widened by another 10 per cent to $3.1bn, so that Japan now accounts for much more than the whole of Korea's worldwide trade imbalance.

In fact, Korean officials point out that a reduction by just one-third in the Korean-Japanese trade gap would be sufficient to bring Korea's total international trade into complete balance. Even more significantly, they note that the trade deficit of $3.1bn with Japan closely matches Korea's $3.8bn surplus with the U.S., which is generating increasing resentment in Washington.

The "chronic trade deficit concentrated in just one country has created a deep imbalance in our trade with other export markets, especially America," says Mr Park Oon-Sah, Director General for International Trade. If Japan were to buy more Korean goods, Korea could afford to import more from America and relax its export drive to the U.S. market. That, in turn, might help to dissipate the protectionist forces in Washington, which are seen as the biggest single threat to Korea's economic future.

Thus cutting the deficit with Japan has become a top priority for Korean economic management and diplomacy. So far, Korean officials are disappointed with the progress.

Voluntary

Korea's exports to Japan are skewed towards fishing and agricultural commodities and light industrial products, such as textiles and footwear, which are protected by unusually high tariffs. This means that Korean exporters face a tariff rate double the Japanese average, and considerably higher than in Europe and America. Furthermore Japan regards as "sensitive" numerous products in which Korea's comparative advantage is particularly strong, so that about half of Korea's exports to Japan are subject to direct or indirect quantitative controls.

Korea has submitted a list of 32 items, ranging from silk and ginseng products to footwear and cement, requesting the removal of non-tariff barriers, but there has been little headway so far.

Mr Park gives an exasperating, but characteristic, example. When Korean cement manufacturers started exporting to Japan in November last year, Japanese officials arrived in Seoul within days of the first shipment landing. They demanded a voluntary self-restraint agreement. Korea's initial shipment had amounted to no more than 0.3 per cent of Japan's consumption, but when the Korean industry rejected "voluntary" restraint, all orders from Japanese wholesalers were abruptly and mysteriously cancelled.

The lesson which many Koreans are drawing from such experiences is that their industry will have to lower drastically its dependence on Japanese capital goods, if inroads are to be made into the $3bn trade deficit with Japan.

In theory this could create big opportunities for equipment manufacturers in America and Europe, since heavy industrial products account for 80 per cent of Korea's imports from Japan. Japan's refusal to supply advanced machinery for fear of the "boomerang effect" should further enhance these opportunities for other nations.

In practice, however, Japan's inherent advantages in the Korean market remain formidable. The cultural and linguistic affinities between the countries and their geographical proximity seem by far to outweigh the historic animosity between the two nations. Japan's network of direct investments and joint ventures creates captive markets for Japanese products. Also mentioned with extraordinary regularity by Korean businessmen there is the "fantastic after-sales service" offered by Japanese capital goods manufacturers.

Such factors can all too easily overwhelm "the government's efforts to encourage diversification of import sources," according to Mr Park. "We know that by importing from America and Europe we could reduce our chronic trade deficits and get to the real origins of technology—but our businessmen still want to buy Japanese."

Strategic changes lead to greater contact

China

RICHARD COWPER

LAST MONTH Seoul sent two diplomats to attend a United Nations seminar in Peking. It was the first time that a Korean foreign office official had been to mainland China since the communist takeover in 1949.

The dispatch of the diplomats came a few weeks after Seoul and Peking resolved a potentially embarrassing incident over a Chinese torpedo boat which drifted into South Korean waters following a mutiny in which six sailors were killed.

A few years ago Seoul would have been tempted to make propaganda out of the incident, and may have encouraged potential defectors by offering them a free ticket to Taiwan. But in spite of reports that some of the crewmen may have been trying to defect, Taiwanese officials were refused access and the boat and its crew were turned over to the Chinese in international waters.

Many view the handling of the incident as further evidence that Seoul would be ready to dump Taiwan, its old friend and long-time diplomatic partner, in favour of China. No-one believes, however, that these recent moves herald a breakthrough to a quick resumption of diplomatic relations.

The overwhelming stumbling block is China's reluctance to make any move which might push North Korea into the arms of the Soviet Union, and few doubt that normalising relations with Seoul would do that.

Nevertheless, given three decades of undisguised and unremitting hostility between China and South Korea following Peking's military support for Pyongyang in the Korean war, the growing warmth of the relationship over the last two years has been heady.

Legitimacy

Since May 1983, when the hijacking of a Chinese airliner led to negotiations between Seoul and Peking officials, there have been a growing number of contacts between sportsmen, officials and businessmen.

Han Woo Suk, South Korea's assistant Minister for foreign affairs, cites four main reasons for Seoul's change of heart

- The desire to encourage Peking to use its influence to prevent North Korea engaging in adventurist military activity;
- South Korea's drive for wider international recognition and legitimacy;
- The desire to persuade a major power to attend the Seoul Asian and Olympic games
- The hope that China's geographical proximity and size will make it a major trading partner.

For its part, China seems keen to promote a reduction in tension on the peninsula to allow it to carry on undisturbed with its four modernisations. Peking also may see South Korea as an important source of intermediate goods and technology as well as an ideal foil to help prevent overdependence on Japan.

Above all, the growing proximity of interest between the U.S. and China has changed the strategic picture in North-east Asia to the point where the 40,000 or so. U.S. troops in South Korea are no longer seen as a threat by Peking, but more a guarantee of regional stability. The issue of U.S. troops on South Korean soil therefore is no longer a possible point of contention between Seoul and Peking.

It looks increasingly likely that China will attend both the Asian and the Olympic games. But perhaps the most significant and least reported consequence of the improvement in relations between the two has been a phenomenal growth in trade. Accurate statistics are hard to come by but according to diplomats, two-way trade between China and South Korea more than doubled last year from about $285m in 1983 to more than $600m. This year, they expect it to grow to about $850m. Some estimates put two way trade for 1984 as high as $800m.

The largest proportion is indirect, most of it going through Hong Kong, Tokyo and Singapore. Hong Kong government statistics show transit trade through the colony grew from $160m in 1983 to $345m last year. Other estimates put it as high as $600m.

According to official statistics Chinese exports through Hong Kong totalled $185m, of which $107m were raw materials and chemicals and $63m were textile yarn and fabrics. Chinese imports through the colony totalled $160m of which $99m were yarns and fabrics and $35m were TVs and electrical machinery.

There is also understood to have been a small amount of direct trade between the two countries since 1983, mostly of Chinese coal, oil and soya. One diplomat says: "Neither South Korea nor China wants to broadcast it, but from last year that has no longer been a problem. Chinese ships have made calls in Korea and vice-versa."

Of equal note has been the number of visits to China by South Korean businessmen over the past year, including that of Mr Kim Choo-Wong, chairman of Daewoo, one of Korea's largest and fastest growing conglomerates. There is now growing expectation that a South Korean company may be close to making a direct investment in China, possibly in construction.

Three years ago, trade and business contacts on such a scale would have been unthinkable, but where all this will lead is uncertain. Seoul and Peking are interested in expanding their political and economic ties, but China has to tread carefully. If its flirtation with Seoul looks as if it is going to push North Korea into the arms of the Soviet Union, it will be quick to sacrifice its new amity with the South.

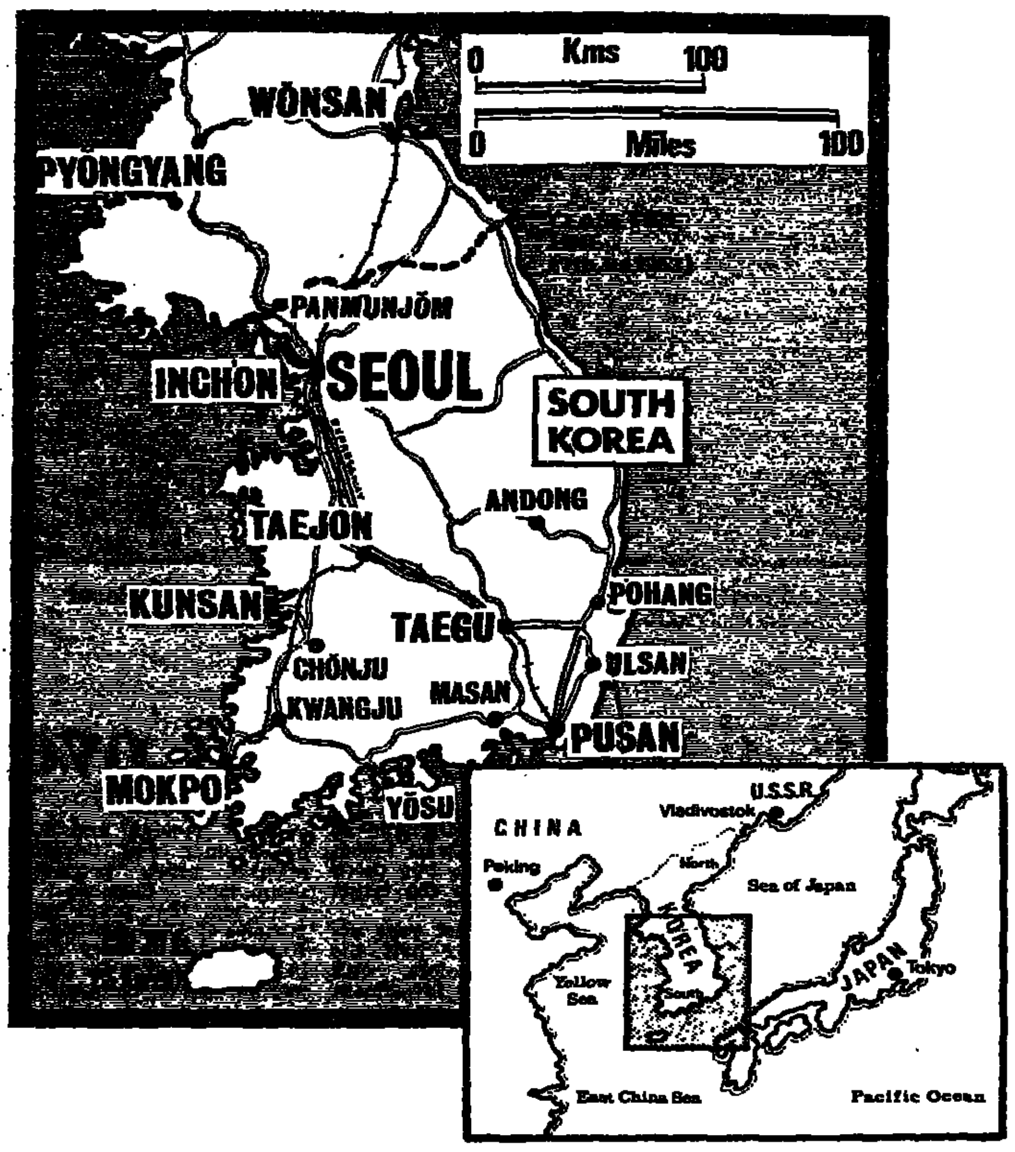
One U.S. diplomat says: "I see no immediate opportunity for opening diplomatic relations. The relationship between Peking and Seoul is cordial and expanding, but it remains unofficial — almost covert."

Both sides accept that a breakthrough is likely to come only after a substantial improvement in relations between North and South Korea. For the moment, that looks a long way off.

Edging across great divide

North-South

RICHARD COWPER



THIRTY-TWO years after a ceasefire ended one of the bloodiest military struggles since World War Two—at least 3m were killed or maimed in three years—North and South Korea are still technically at war.

Over the last year or so, however, there have been signs of a thaw in relations between Pyongyang and Seoul. A few hope that the sides may be finally edging towards some kind of compromise which would lead to a settlement.

At first glance it is difficult to perceive any improvement. Two of the world's largest standing armies totalling more than 1.4m still face each other across a 151-mile border that bristles with gun emplacements, missiles, tanks, minefields and electric fences.

Some 40,000 U.S. troops are in the South, and with Peking, Vladivostok and Tokyo just 500 miles or so away, the inaptly named demilitarised zone that splits the Korean peninsula at the 39th parallel remains one of the world's most dangerous flashpoints.

In spite of a common language and more than 1,000 years of history as a united nation, the heavily fortified border between North and South Korea represents a social, political and ideological divide so deep that the two main combatants are still nowhere near signing a formal peace treaty, and officially do not recognise each other's existence.

In the last decade, both sides have more than doubled their aircraft, tanks, artillery and naval vessels and continued to expand the strength of their armed forces. To the north, Kim Il Sung, the communist world's longest serving ruler and the man responsible for starting the Korean war, runs a xenophobic marxist regime that is still not recognised by most industrialised nations. In the South, President Chun and the military, backed by the U.S., preside over a fast-growing economy that has become one of the darlings of the capitalist world.

Against this background, almost everyone was taken by surprise last September when some 700 North Korean military trucks rolled across the border to deliver relief aid to the south following a flood disaster.

"It may be the most significant development since the signing of the armistice in 1953," says Brig Brian Burditt, a British officer who has spent several years in Korea attending irregular and mostly futile Armistice Commission meetings at Panmunjom, the only neutral spot on the DMZ where officers can meet to discuss border violations.

It may have been meant initially as another ploy in a long-running propaganda war. But the offer, acceptance and dispatch of North Korean rice, cement and medical supplies seemed momentarily to have broken through years of hatred, distrust and division that often verges on paranoia.

The flood relief was followed in November by the first talks on economic co-operation, and a resumption of Red Cross talks on family unification after 13 years.

Neither meeting produced concrete results, but at least the two sides had started talking. After a number of false starts, Seoul and Pyongyang are set to resume meetings this month.

Diplomats, government officials and intelligence specialists are divided as to why the talks have taken place, and are even less sure where they might lead. They are particularly uncertain about the motives of Kim Il Sung — whose driving force over the last 40 years has been to achieve a unification of the peninsula under his rule.

Most analysts agree, however, that:

- The South is probably keen to reach a compromise with the North to safeguard its security when its drive for international legitimacy and acceptance as a middle-ranking power is beginning to pay off. It also wants to ensure safety for the Asian and Olympic Games; to give itself time to overtake the North in modern military equipment; and to turn China into a major trading partner.
- The north is worried that the South's economy is surging ahead and is now at least four times as large as that of the North in terms of GNP. In 1970 the two economies were roughly the same size.
- The North is spending about 20 per cent of GNP on defence while the South is spending between 6 per cent and 8 per cent. The North still has military superiority but the gap is closing fast and parity is likely in the next five years or so. Unless Kim Il Sung was prepared to trade the use of a warm-water port with the Soviet Union for a boost in military supplies there seems little he can do to stop this happening.
- Neither China nor the Soviet Union, Pyongyang's two main allies, would be prepared to back the North in any military adventure against the south.
- The changing strategic balance in North-east Asia, U.S. friendship with China, and Peking's concern with modernising its economy, have prompted China to try gently to persuade North Korea to improve its economy and reduce tension on the peninsula by holding talks with the South.
- None of the big powers is interested in unification of the peninsula and such an event is unlikely in the foreseeable future.
- Kim Il Sung's main concern to ensure a smooth handover to his son Kim Jong Pil now seems to have secured the blessing of both Peking and Moscow and is perhaps his most important foreign policy objective of the last decade.

After that opinion divides sharply. Pessimists who include most South Koreans and a significant portion of U.S. military intelligence analysts, maintain that a man who started the Korean war, ordered the assassination of President Park in 1968, built tunnels under the DMZ at a time when he made a peace initiative, and most recently ordered North Korean Rangers to assassinate President Chun and a large number of his cabinet, is not one to give up his greatest ambition — to take over the South.

"The North needs to do a lot more to show that it means business," says Han Woo Suk, South Korea's assistant Minister for Foreign Affairs. "We still fear that their real intention is to destabilise the South and eventually take over."

The optimists argue that Pyongyang may have seen that it is losing the economic and military battle so vital for securing hegemony over the south, and is now prepared to undertake a sharp change of course by defusing tension through talks and concentrating on improving its economy.

They point to Pyongyang's announcement last year of a joint venture law aimed at attracting foreign trade and investment and expect that in the next year or so the two sides will agree to some form of barter trade, a possible opening of rail links and perhaps agreement on communication between divided families.

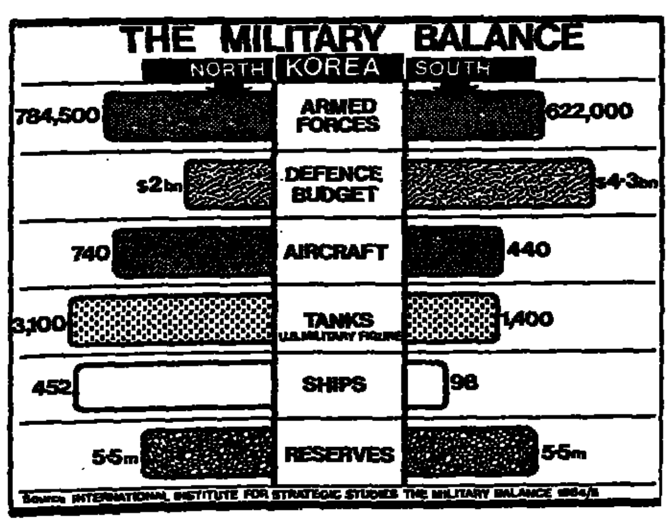
The outcome of the forthcoming talks is anyone's guess. Mr Jorgen Holm, ambassador of Denmark, the only EEC country to recognise Pyongyang says: "In Europe the two Germanys have been talking for more than 15 years, and today trains and people move across the ideological divide. An armed clash between them is virtually unthinkable.

"Here that's not so. This has been one of the most dangerous flashpoints in the world, and a real dialogue has yet to begin. But for the first time there are two direct telephone links between North and South, and the sides are talking."

Challenge to iron grip of army

The Military

RICHARD COWPER



TO BREAK with tradition is not easy. To relinquish power is perhaps even more difficult. The South Korean army, which for well over two decades has played a pivotal role in politics, business and society is facing such a challenge.

As the country moves towards presidential elections in 1988 and continues to evolve a more complex and sophisticated social and economic structure, many Koreans seem to be calling on the army to move backstage and allow a peaceful transition of power to a democratically elected civilian ruler. But few are confident that the organisation which has been at the centre of Korean politics for 2½ decades is prepared to quickly relinquish its grip.

South Korea is not a Latin American style military dictatorship, but ever since 1961 when General Park Chun Hee toppled the civilian government in a military coup, effective power has been wielded by an army general—albeit retired, and for the most part elections have been a foregone conclusion.

The only real transfer of power occurred on December 12 1979, six weeks after President Park's assassination by his intelligence chief, when Gen Chun Doo Hwan staged a coup d'etat against the army chief of staff in which about 100 people were killed.

President Chun still relies on the 500,000-strong army for his ultimate power base, but he has now set himself the task of breaking the tradition of coup d'etat by ensuring a peaceful transition of power in 1988. Whether he is interested in paving the way for an army return to barracks, leaving power in the hands of the electorate, remains to be seen. And whether he can achieve it if that is his intention must be doubtful.

Under President Chun, the army—or those sympathetic to it—have held a substantial portion of key power positions in the Cabinet, the bureaucracy and the influential presidential advisory staff.

The armed forces have also continued to be given a major share of the nation's resources—upwards of 6 per cent of GNP—enabling them not only to deal with the security threat but also, among the upper echelons at least, to live well.

The army is no longer the great modernising force it was in society and business, but President Chun has ensured that senior retired officers continue to gain lucrative positions in many medium-sized and large companies.

Brig Brian Burditt, the British military attache, says: "At the Changwon industrial complex a few miles south-east of Pusan there are dozens of new factories. Just about every one is run by a two-star general."

South Korea boast the world's seventh largest standing army, which continues to see itself as the elite guardian of society, a role underpinned by the threat from 800,000 hostile North Korean troops just 50 miles or so from Seoul.

Given the high stakes—political, financial and security—many doubt whether the army is prepared to risk the creation of a truly civilian government which might be unsympathetic to its interests.

"There is no significant element in the army at the top level which would like to see a full play of democracy. No one is prepared to take such a chance," says one Seoul diplomat.

If the parliamentary opposition falls apart before 1988 the transfer of power might take place in a relatively democratic manner. But should the outcome look uncertain, a fair election seems remote. Few believe the military would easily accept someone who is not a retired professional army officer as a successor to President Chun.

Some analysts argue that a number of potentially powerful hardline army officers already feel that President Chun has gone too far in "liberalising" the political climate, raising the electorates' expectations to "unrealistic and potentially dangerous" levels.

"For the moment the army continues to pay lip service to democracy, and I have no doubt that Chun will step down as promised in 1988. But his replacement will be a man of the same background achieved by whatever means. If things get difficult I would not rule out a replay of the 1979 coup," says one senior Western army officer in Seoul.

Such views may fail to take full account of powerful external factors, such as U.S. pressure or the need in the run up to the 1988 Olympic Games to present an image of maturity.

They may also underestimate the impact of the dramatic social, economic and intellectual changes that have taken place over the past few years, leading some to argue that many Koreans might no longer be prepared to accept undisguised army intervention.

Such changes have not left the army unaffected. A small number of lower-ranking professional soldiers voted for the opposition in last February's election.

One young army lieutenant says: "The military should confine itself to safeguarding the security of the nation."

Among the small but powerful group of serving and retired military officers involved in politics, such views hold little sway — and it is they after all who call the shots.

Steven Butler looks at the economic pressures of growth

Shock treatment jolts system

Financial Liberalisation

FOR MOST of the South Korean economy, the past decade has been a race to escape from underdevelopment. In the process, a major sector of the economy—financial services—was left far behind.

The Government had used the commercial banks principally to funnel subsidised finance to targetted sectors of the economy. Low interest rates spurred rapid economic growth (and overcapacity in some cases) but bank profits were weak and the deposit base never expanded adequately.

Under the catchword of "liberalisation," the Government has toyed with the money supply, interest rates and banking rules for five years. Inflation came down and the rate of domestic savings has gradually risen, but the banks failed to benefit.

Finally, in 1985 the patient may be getting treatment, in the form of sharply higher interest rates, strong enough to send a jolt through the system. That is something the foreign banks are happy to see, because stronger domestic banking may give the Government the confidence to give foreign institutions what they want—equal competition in local currency markets.

Ceiling

The Government began its experiments last year by letting the domestic banks set their own lending rates within a narrow band—between 10 and 10.5 per cent in January then between 10 and 11.5 per cent in November.

The liberalisation had little practical effect, except to raise borrowing rates and help bolster bank profits.

Banks charged the higher rates in virtually all cases because the ceiling rate was still far below what the market would bear, while they continued to borrow from the Bank of Korea's rediscount window at 5 per cent. Although deposit rates also went up, it was not enough to close the gap with short-term finance companies, and the banks' deposit base failed to expand.

This is best illustrated by the ratio of M2 to M3, the narrow and broad definitions of money supply. This rate has risen steadily from 1.42 in 1980 to 1.90 at the end of March this year indicating that the banks steadily lost market share to non-bank investment and finance companies that offered higher rates on short-term transactions.

The Government had fostered the short-term financial institutions principally to draw money in from the unofficial kerb market, which in the early 1970s accounted for more than half the volume of domestic loans. Government officials say the kerb market has shrunk dramatically in recent years, particularly after scandals highlighted the risks of the market. They have now fixed their eyes on bolstering the bank system.

On April 18 the Government again notched up interest rates, for the first time putting them at a level that might be competititve. Long-term lending rates rose to 13.5 per cent and some types of long-term deposit rates rose to 13 per cent. At the same time the finance minister indicated that the Government expected a rapid growth of M2 for the year, originally targetted at 9.5 per cent.

The statement appeared to herald a more accommodative monetary policy, but the Government's intention is to shift money from the non-banking sector into the banks. The rate rise is just shy of a true market rate, and puts the Government close to its eventual goal of allowing rates to fluctuate freely.

The Federation of Korean Industries, a business interest group, has complained bitterly that the rise in rates will increase interest expenses throughout the economy. Korean companies have been nurtured on cheap bank financing and are typically highly leveraged. Bankers have expressed confidence, however, that the higher rates will make more long-term money available through the banks, decrease the companies' reliance on short-term lending, and reduce overall borrowing costs.

In any case, the interest rate adjustment, if successful, will be just a first step toward putting the banks on a sounder footing. The banks have always worked as bureaucratic dispensers of money for the Government and never developed the technical capability to make sound credit decisions.

Nurtured on the high inflationary environment of the 1970s, the banks insisted on collateral, usually in real estate, for all loans. They never developed the analytic expertise to make loan decisions based only on financial information about a company.

The result has been the accumulation of bad debts, which the banks frequently roll over by issuing new loans. Government officials refuse to disclose the amount of non-performing assets, but it involved trillions (million million) of won.

They admit the problem is serious and may take 10 to 15 years to work through the system before the banks can accumulate enough profit to write off the loans.

Meanwhile the foreign banks, which are sounder financially and far more sophisticated in operating abilities, are trying to shoulder their way into compete with the Koreans on an equal footing. And they are encountering resistance at every step.

Profits

Local newspapers scream about what they call the "wild" or "absurd" profits of the foreign banks. While true in comparison to domestic ones, foreign branch managers must answer to their home offices, which are not always happy with the year-end results.

Foreign bankers also say their profits would be even lower if a proper accounting were made of capital depreciation (due to depreciation of the won) and the high cost of maintaining expatriate staff.

Some Government officials see the foreign banks as a stimulus to improve domestic industry; others see them as dangerous competitors who could potentially dominate the domestic market if given free rein.

Foreign banks want greater access to local currency, and earlier this year the Government made the first steps to giving it. Foreign banks have been given access to the Bank of Korea's rediscount window for export financing, and they will be allowed to enter the trust business.

But the Ministry of Finance seems to be giving with one hand and taking with the other. In spite of technical access to the rediscount window, the banks may not be able to make significant use of it. And if they do, they will have to cut business elsewhere.

Korean companies are barred from borrowing from more than 12 banks for export financing. Most of the large exporters already deal with 12 banks and are unlikely to cease business with a domestic bank to establish ties with a foreign branch.

In addition, for each loan from the rediscount window, the banks face an equivalent reduction on their ceiling for access to won through currency-swap transactions, the largest source of local currency. Access to the window does not mean greater access to won.

Moreover, the new rules reduce the guaranteed margin on currency swaps from 1 per cent to 0.75 per cent. The banks still don't know if they are better off or not.

The opportunity to offer trust accounts this July has similar pitfalls. To raise funds effectively, banks would have to set up a network of branches to draw in deposits. Although many banks are not interested in this type of expansion, others—like Citibank—would move quickly if given the opportunity.

But regulations require foreign banks to capitalise each branch office separately, making it prohibitively costly, and it is not clear that the Government would give approval to new branches.

The new rules for foreign banks require that they lend 25 per cent of new money to small or medium-size industries; domestic banks face a 35 per cent requirement. But that means more paper work, and the foreign banks operate at a disadvantage since they are unable to collateralise loans effectively. The foreign banks lack the networks of local branches that would help identify creditworthy smaller companies.

The experience of the foreign banks adds a new dimension of what liberalisation might mean. Korea's political leaders seem intent on making domestic banks march to the tune of genuine competition in financial markets, even if it takes a long time.

But whether that vision of a market-driven financial sector will include foreign competition is an open question. There lingers a suspicion that the moves are a cosmetic response to U.S. pressure to open Korea to American service industries.

Some foreign bankers are optimistic about the long-term strategic direction of the changes, but others are wondering if they will forever be squeezed out of the local market.

The U.S. and South Korea held two days of talks early this year in Seoul over restrictions on steel exports to North America

Foreign investment sources

	$m	%
U.S.	666	30.2
Japan	1,065	48.3
Netherlands	115	5.2
Hong Kong	63	2.8
International Finance Co-op	50	2.2
Switzerland	44	2.0
France	37	1.7
W. Germany	37	1.6
UK	27	1.2

Foreign investment application

	$m	%
Manufacturing	1,208	74.1
Chemicals	290	17.8
Electrical and electronic	263	16.1
Machinery	125	7.7
Services	40.1	24.6
Hotels and Tourism	201	12.3
Agricul. & Fishs.	18	1.1
Mining	3	0.2

Outsiders face bias over profits

Foreign Investment

KOREANS have a do-it-yourself spirit. With the economy perking along at a high rate of growth, they have managed to do well by themselves—borrowing from abroad, buying technology, building and managing their factories.

It has been costly. South Korea's foreign debt was $43.1bn last year, and in spite of the country's excellent international credit standing, bankers say the country would run into trouble if it tried to borrow much more. After the experience with Japan, many foreign companies are also more reluctant to sell their technology to Korea.

Korea's economic policymakers have faced up to the problem and launched a concerted effort to encourage foreign investment through joint and wholly-owned ventures.

The results have not been entirely satisfactory. Direct investment at the end of March stood at $1.63bn.

Last year was something of a banner for foreign investment approvals. They increased by 56 per cent to reach $419m. This year the Ministry of Finance hopes to attract $450m of new investment, but there are doubts whether the target can be reached.

Two investors last year accounted for nearly half the total: General Motors, with approval for $100m investment in automobile and parts manufacturing, and Lotte of Japan, with a $92.5m hotel scheme in Pusan.

In 1984 too, the Government issued new rules for foreign investors specifying a new automatic approval system. But as even ministry of finance officials admit, the system will not apply to many investments. It covers a broad range of categories, but the foreign investment ratio must be under 50 per cent, foreign participation must be under $1m, and there must be no application for a tax holiday.

In any case, according to one foreign businessman: "The problem was never with the investment law, but the way it was implemented."

Korea's policymakers are intent on welcoming foreign investors and making it worthwhile for them to stay, but foreign businessmen in Seoul express doubts that the rest of the Government or the society at large wants to go along.

"There is a powerful bias against foreigners," one says. He described a seminar last year of foreign and Korean businessmen and Government officials which produced a unanimous response from foreigners that profit was the purpose of joint ventures. The Koreans had a very different idea. They looked for increased market share, acquisition of technology, more employment, and greater exports.

When one foreign participant suggested that his company wanted at least a 15 per cent profit, the Koreans loudly protested.

Hurdle

The attitude runs deep. Some companies have months of struggle to repatriate dividends that the foreign investment law says should be automatic. The first hurdle is with the joint venture partner, who probably wants to reinvest profits. Several joint ventures have split over this kind of quarrel.

The next hurdle can be the Korean banks, who may refuse to release money because it exceeds unpublished guidelines for dividend distributions. Although companies eventually get their money, it may require many trips to government ministries to receive authorisation.

"Nothing is automatic," an executive says.

Many foreigners find the pervasive role of the Government extremely onerous. It is present at every stage from approval and licensing to operations and finally to dissolution.

"Investors who come in are totally unprepared for it," a businessman says.

Foreign investors have also become wary of the weak protection that Korean law gives to foreign intellectual property. Many say Korea is getting second-rate technology because of it.

It can be puzzling to listen to the carping of the foreign community about business conditions in Korea. The country's attractions are evident—a highly productive workforce and low wages—but a revamped system of rules for attracting investment and sincerity on the part of government leaders has not convinced the foreigners already there.

"Is a larger economic presence palatable to Korea?" asks one businessman. "The Korean people are not enamoured of such foreign activity. The Government cannot integrate such foreign companies on its mandated terms and the foreigners march to a different drum—profitability. Thus the preference for foreign debt capital rather than equity.

"Acquisition of technology is also preferably done without entangling an awkward foreign presence."

SB

Suspicion about international demands

Stock Market

THE SOUTH KOREA economy is expanding fast—7.6 per cent last year with projections of almost 7 per cent this year. Yet stock prices are low, with average price-earnings ratios close to five.

The past year has seen a torrent of investment managers in Seoul from around the world to take a look at the market. Many believe the market is poised to take off, much as Japan did 20 years ago, and they want to be in at the bottom.

Most have gone away disappointed, however—not in the market, but in the Korean Government. The authorities, even with the authorisation of three investment trusts this year for a total of $90m, are moving at a snail's pace to quench the international thirst for Korean securities.

Non-resident foreigners are not allowed to own Korean securities directly. The only way to buy in is through one of the six international investment trusts. But even that may not be so easy. Five of the trusts are open-ended in principle, with prices quoted at net asset values, but the government has sharply limited the issue of new shares.

Only one, the Korea Fund, is a closed-end trust. It began trading with an original subscription value of $60m on the New York Exchange last autumn. Investors bid up the price $12 to $16 soon after its listing, but now the price has settled to just over $13.

The international enthusiasm for Korean stocks seems to have caught the Koreans by surprise. They are slowly digesting what it might mean, and there is a good deal of suspicion.

"We can't let foreigners get all the benefits," one Ministry of Finance official says. "It has to be good for Koreans too."

Foreigners held just over 2 per cent of the market at the end of last year.

The Government has tried for years to foster the stock market, partly to reduce the high corporate debt. Many companies are forced to list publicly, often fighting to keep their companies in family hands. Capital gains are tax exempt, and the Government has intervened repeatedly to cushion the market from external shocks and to chop the highs and lows off swings in the market by lending money to the securities houses or fiddling with margin requirements.

The Koreans do not seem to be convinced. "I don't find the enthusiasm among the Koreans that we find among the foreigners," says Mr Ferris Miller, a naturalised Korean citizen who has played the market for more than 20 years.

Mr Miller retired from the Bank of Korea a few years ago and is now a consultant at Hanyang Securities, a local brokerage. He is generally bullish on the market, but isn't convinced it will take off as quickly as many foreign investors think.

"It is very fashionable to look to developing countries, hoping they will imitate Japan," he says. "But until we can turn the Koreans around, there won't be any boom."

The market has a short history of just 29 years and is still thinly capitalised at about $6.2bn. Mr Miller says the market has matured a great deal in those years, though.

"In the 1960s you might as well have gone to the casino and gambled," he says.

The market was highly manipulated by a few big players and there were a number of well-publicised suicides of investors who lost their fortunes. Even as late as 1981 there were cases of cash-laden "big hands" making millions by manipulating the prices of single issues. Recently the Government has made an effort to crack down.

Mr Miller says the market is now far more reserved, and that price movements, while fully predictable, no longer fluctuate wildly without apparent reason.

Dividends

Information about companies—many people simply discount financial disclosure statements—is not as bad as it is often made out to be. "It is not unreliable to the point that it has harmed me in making investment decisions," he says.

But the image of the market in the public eye as a high-risk gambling den has yet to be shaken.

One merchant banker says he doubts that the concept of a capital market is well understood. "Koreans see the dividend as equivalent to an interest payment," he says.

As Government policy prescribes, and sometimes regardless of a company's health, the dividends, as a percentage of par value, have tended to be more or less equivalent to the interest rates on bank time deposits—between 10 to 12 per cent last year.

As a weighted average of market value, however, the dividend payout is 5.6 per cent. Add that to the risk, and the attractiveness of stocks as an investment drops considerably—especially when there are attractive alternatives in the high-interest kerb market or in appreciating real estate.

The Government has made a strenuous effort to clamp down on real estate speculation—a trend fuelled by the inflation of the 1970s and by rapid urbanisation. It has been fairly successful, but with long-term bank deposit rates recently raised to 13 per cent and inflation at just over 2 per cent, it takes a smart trader to beat a guaranteed interest return. Many Koreans prefer safety.

The Government would like more companies to list on the market but some rules still discourage them. Most companies must offer their shares at par for a new flotation, and that can mean giving the company away. In late April Samil Pharmaceutical Company was oversubscribed by 40 times, even with a 50 per cent premium on the shares.

The Government recently relaxed rules for rights issues at market value, and that should encourage more companies to raise capital in the market. Underwriting, however, can be risky, since underwriters must guarantee a share price for 30 days after flotation.

The market's composite index has been a lacklustre performer. Pegged at 100 at the start of 1980, it peaked at 145.5 on January 7 this year and has since been drifting between 132 and 134 because of sluggishness in the economy.

But the long-term performance of certain industries has been excellent. Topping the list are pharmaceuticals (with an index of 305 on April 29), fabricated metals (288), machinery (223), electronics (208) and food and beverages (202).

Koreans have a clear preference for small, growth companies. The index of 163 companies capitalised at less than 5bn won stood at 229 on April 29. By contrast, the 82 large companies capitalised at more than 15bn won have done poorly, with the index at 95.

The market composite index has been pulled down by the poor performance of the overseas construction industry, where the companies tend to be more heavily capitalised.

SB

International Trusts in Seoul Stock Market

	Value	Inception (Expansion)	Open or Closed End
Korea International	$15m	1981	Open
Managed: Korea Investment Trust. Overseas underwriters led by Credit Suisse First Boston, Vickers Da Costa	$25m	(1983)	
Korea Trust	$15m	1981	Open
Managed: Daehan Investment Trust. Lead overseas underwriters: Merrill Lynch International	$25m	(1983)	
Korea Fund	$60m	1984	Closed
Sponsored: Daewoo Securities. Managed: Scudder, Stevens and Clark (U.S.). Underwriting syndicate included First Boston Shearson/Amex, International Finance			
Korea Growth	$30m	1985	Open (initial 30% minimum in bonds)
Managed: Citizens Investment Trust. Lead managers: Nikko Securities, Jardine Fleming			
Seoul International	$30m	1985	Open (initial 30% minimum in bonds)
Korea Investment Trust. Lead managed: Baring Bros, Vickers Da Costa			
Seoul Trust	$30m	1985	Open (initial 30% minimum in bonds)
Daehan Investment Trust. Lead managed: Prudential-Bache Securities			

Pressure builds after Kukje crash

The Chaebol

STEVEN BUTLER

THE COLLAPSE of the Kukje Group, one of Korea's top 10 business conglomerates, brought into question again the future of the chaebol, companies practically synonymous with Korea's rapid development.

Kukje's financial difficulties were more severe, but not fundamentally different from other major conglomerates.

The chaebol comprise Korea's most famous companies — Hyundai, Daewoo, Samsung and Lucky-Goldstar. They were the darlings of the Korean Government in the 1970s, when they were fed by cheap loans aimed at encouraging growth in selected areas.

But the Government's attitude has changed drastically. It now says the chaebol foster inefficiency, that they are excessively diversified, they inhibit competition, and are a drain on the financial resources of the country.

The Government wants to subject them to the rigours of the marketplace, and many observers interpreted the decision to break up Kukje as a tough first step to make the other groups fall into line.

Kukje's demise was a classic case of over-extension. The flagship company of the group, Kukje-ICC, had suffered heavily from the sharp downturn in construction business from the Middle East, while it borrowed to make up for delayed payments from overseas. Its main line of footwear business also faltered and failed to keep its market share. The final straw was a new 80bn won corporate headquarters, financed largely in the high-cost short-term money market.

Speculation

The group's decline was speeded in November when the Government banned "wanmae" transactions, a complex bond repurchase agreement on which the company relied heavily. More than $100m of emergency funds were provided in December, but in February the banks lowered the boom.

They took the company away from the chairman and transferred management to smaller, healthier companies, promising to honour the company's obligations and issuing loan guarantees to foreign banks.

Bankers, government officials and businessmen agree that the root of Kukje's problems was terrible management. The group never made the transition from the high-inflation of the 1970s, when real estate speculation and high-volume borrowing (at negative real interest rates) were the key to survival.

Mr Yang Cheng-Mo, Kukje chairman, placed his sons-in-law into key management positions and business leaders say they were not in tune with the market.

"They continued to manufacture canvas shoes long after the market changed and we switched to leather," a competitor says. "They had no management skills."

Although the decision to dismantle the group appeared sudden, one senior government economist said the Government had studied the costs of other alternatives—such as forcing Kukje to sell real estate holding and to spin off some of the group's subsidiaries to raise cash, or to force the group into bankruptcy.

In the aftermath of Kukje's failure, the Government is considering further measures to improve the chaebols' financial structure, force them to shed superfluous subsidiaries and specialise in key manufacturing areas.

"The conglomerates should get rid of their octopus legs," says Mr Ahn Seung Chul, president of the Korea Development Institute. "Instead of big names getting bigger, I would like to see smaller ones get bigger."

Economists say the groups, in their pursuit of bigness, have squandered managerial talents, streched their financial resources and concentrated on big-ticket items—such as ships, steel, or construction that are especially vulnerable to swings in economic cycles. The Government would like to foster small and medium-size industries, like in Taiwan, that can respond more rapidly to changes in international demand and provide greater export stability.

Some business executives disagree with the government's more aggressive attitude toward the big groups. "We are not big enough for international competition" says Mr Kim Woo Choong, chairman of Daewoo.

This group in 1984 had a consolidated turnover of $4.24bn and interests in automobiles, electronics, construction, hotels, securities, textiles, heavy machinery, and chemicals. But Mr Kim says that Daewoo's large international competitors have sales 10 to 20 times greater.

He also disputes that the groups are too diversified.

"If we had our own technology it would be better to be specialised," he says. "But we do not have our own technology, and too much specialisation carries too much risk. We need diversification to minimise risk."

A technological trailblazer like IBM can afford to concentrate on a more narrow field, but Korea, as the manufacturing base for markets that it does not create, is more likely to be hurt by changing demand and technology in individual fields, Mr Kim says.

As to government charges that the conglomerates' stronger companies are sheltering weaker subsidiaries, he shrugs his shoulders and asks: "What can we do?

Domination

"Some of the current trouble areas in the big companies—shipbuilding, overseas construction, heavy machinery—were initially built with government support. They are suffering in part because of external market downturns, and the diversity and strength of the conglomerates in what is keeping those companies alive today to wait for the upturn."

At heart, the Government objects to the conglomerates' weak financial structure and consequent domination of bank lending, which is below market interest rates and rationed.

According to testimony at the National Assembly last autumn, the top 30 groups in 1983 accounted for 16 per cent of the nation's GNP, but managed to swallow 48 per cent of bank lending.

That domination has crowded small and medium-sized companies out of the bank-lending market. The dependence of the big groups on cheap loans is also one of the greatest obstacles to financial liberalisation.

Mr Kim admits his company's debt ratio is too high, although he says the company can handle it. He also accepts criticism that the chaebol should improve capitalisation, and even that corporate ownership should be less concentrated (although not all of Korea's corporate chairmen would be so generous).

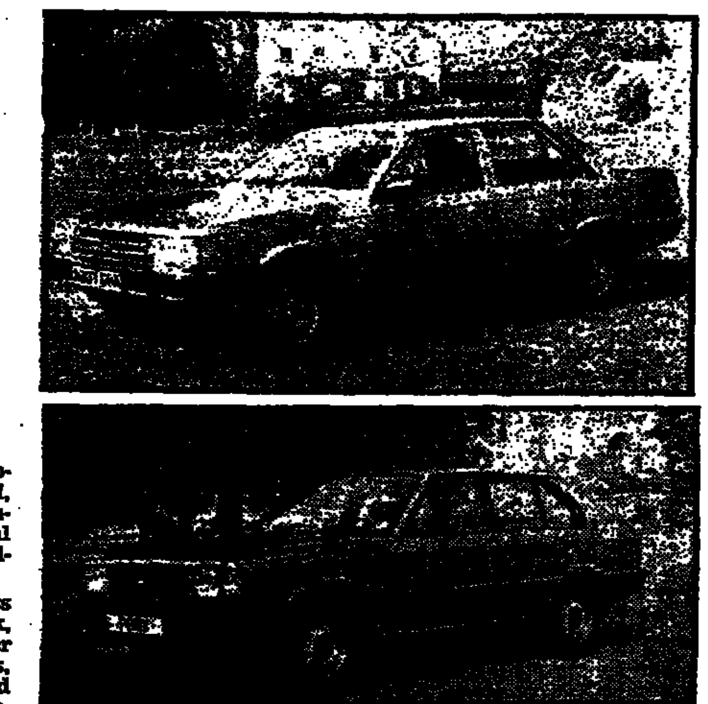
But Mr Kim blames the weak financial structure of Korean companies principally on the banking system and on poorly developed markets for capital—factors beyond any single company's control.

One foreign banker agrees: "Korea depended on the big companies for rapid growth and is now paying the price for it," he says.

"This was the best strategy for Korea. But now they have to move carefully to liberalise domestic markets, and it will take time."

AUTOMOBILES

On the road to export markets



Hyundai is set to become a major force in the world car market, after finding its feet with models like the Stellar (top) and the Pony

A YEAR AGO Korea's automobile industry had a potential, dimly seen and much speculated about. Now that potential is moving into focus with startling speed.

Within a few years, unless plans go very far off track, Korea will be a major producer and exporter of automobiles, parts, and components—helped by all three main U.S. manufacturers.

Hyundai made a modest plunge into the Canadian market last year, hoping to sell 6,000 of its low-priced, old-fashioned Pony's—a small, rear-wheel-drive car. Mitsubishi of Japan owns a 10 per cent stake in Hyundai and has supplied much of the technology.

Canadian bargain-hunters gobbled up 25,000 of the cars, and Hyundai cleaned up the bottom of the market.

This year it started a 300,000 vehicle-per-year plant and soon will begin export to the U.S. of its front-wheel-drive Pony Excel. This will again be at the bottom of the market, with prices between $5,000 and $6,000 for a basic model. Hyundai hopes to sell 100,000 in the first year.

The company is taking the risky, but potentially very profitable, route of marketing the cars in the U.S. under its own name and network of dealerships.

General Motors was the first big U.S. manufacturer to set up in Korea. GM's joint venture with Daewoo has for years supplied Korea's domestic market but last year GM agreed to put $100m into new Korean ventures.

One is to build a plant that will begin producing 167,000 front-wheel-drive cars a year in 1987, up to half for export. The car will be sold in Korea under Daewoo's label, but in the U.S. as a Pontiac.

The two companies are also putting $60m into manufacturing starter motors, alternators, distributors and coils.

Following Daewoo's lead, Mr Lee Iacocca, Chrysler chairman, came to Seoul to announce a joint venture with Samsung to manufacture car components.

The Chrysler agreement involves links between a range of Chrysler's North American suppliers and small and medium-sized Korean companies, and perhaps the eventual manufacture of cars in Korea.

More international links are on the way. In January the Korean Government authorised Kia to begin producing passenger cars again in 1987, following a ban in 1980 as part of industrial restructuring, when it won a monoply in production of small vans. Now Kia has received an offer from Ford for the export of mini-cars to the U.S. and is studying other potential agreements with Peugeot and Fiat.

Finally, TRW, a big U.S. parts manufacturer, is planning to set up a joint venture in Korea.

All these agreements will not just mean a few assembly plants and factories, but the birth of an entire world-class industry within a few years.

Mr Iacocca says: "We would not be here if we didn't think that it had a great potential. I do not think it should take more than 10 years for Korea to become a formidable competitor."

Steven Butler

ELECTRONICS

Shedding a low quality image

THE Korean electronics industry passed another banner year in 1984, with production increasing 29 per cent to $7.2bn, and projected to grow by another 30 per cent in 1985.

The industry has emerged a one of Korea's most competitive, with excellent prospects for long-term growth. Electronics exports, which grew 38 per cent to reach $4.2bn, are expected to unseat textiles as the nation's largest.

Although growth was across the board, the more rapid expansion of industrial electronics continued a trend that began several years earlier, and the manufacture of components took a 46 per cent leap as sophisticated semi-conductor manufacturing came on stream.

The two largest electronics producers, Samsung and Goldstar, are targeting 1985 as the year to shed their image as low-quality, budget producers, a reputation they earned with volume exports of colour television sets. Technological agreements with Japanese companies that prohibited export of video recorder machines expired this year, and the first Korean VCRs reached stores in the U.S. in March.

Goldstar and Samsung say they are marketing up-market machines, priced comparably to Japanese brands, and that they will resist pressures to cut prices. Industry analysts give the companies a fighting chance to succeed in remaking their image and improving brand recognition, but say it will take years and could prove costly.

A near three-fold increase in the manufacture of personal computers (nearly 90 per cent, or 900,000 units, of which were exported) led the way in industrial electronics.

Computer terminals more than doubled to 2.13m, worth $250m. Exports provided for much of the volume, while domestic sales earned cash. The average machine sold domestically had a price tag four times the average export.

The manufacture of integrated circuits became a $1bn industry last year for the first time as production of 64K RAM chips started in volume. This year Samsung says it will begin mass production of the 256K RAM chip, and Goldstar semiconductor has also decided to jump into the fray.

Other potential entrants Daewoo Telecom and Hyundai Electronics are hanging back to study the market—and with good reason. The worldwide plunge in the prices of 64K RAM chips has caused Samsung to cut production and divert to other kinds of chips.

Industry analysts are worried at the rapid expansion of Korea's semiconductor manufacturing capacity. "If all of them are doing the same thing, it makes no sense," a banker says.

The millions of dollars in semiconductor investments also makes bankers nervous. But all agree that Korea has little choice if it wants to compete.

Steven Butler

High stakes in Olympic setting

SOUTH KOREANS are often prepared to take big risks provided the stakes are high enough. So it is with the 1988 Seoul Olympic Games.

The Government hopes the games will be a watershed in the country's troubled post-war history — a symbol of national pride, achievement and legitimacy acknowledged for the first time by the rest of the world.

The Government views the games as achieving four key aims:

● National legitimacy and security. Attendance by the communist world, which after 37 years still does not officially recognise the republic, is seen as the stamp of international legitimacy. It is hoped this will lead to better relations with Moscow and Peking, who may be able to restrain North Korea from military adventures against the South.

● Economic achievement and respectability. The games will present South Korea to the world as a mature and successful middle-ranking industrialised power, which offers a model to the developing world and would soon like to become a member of the OECD.

● Direct and indirect economic spin-offs. By exposing Korea to more than 300,000 Olympic visitors and millions of TV viewers, it is hoped that the games will provide a major filip to the tourist industry and introduce the world to a range of Korean products.

● A slap in the face for Pyongyang. Though no one says it openly, Seoul sees the games as a psychological victory for the south in its struggle against its North Korean neighbour.

All this may seem a far cry from the original aims of amateur athletics, but as one Seoul diplomat put it: "The Olympics might now be fairly described as nationalism without machine guns."

If the stakes are high, so too are the risks. The major concern is security. Officials fear that North Korea may be tempted to do everything short of an invasion to disrupt the games or prevent them from being held.

Less than 18 months ago North Korean rangers killed 17 South Korean Government officials in Rangoon in an attempted assassination of President Chun. In the past few months, according to the U.S. and Korean military, North Korea has redeployed troops closer to the de-militarised zone. No one is suggesting this is preparation for an attack, but the security threat to the games is real.

"The Olympic Games is an enormous psychological challenge to the North. There is a fear that Kim Il Sung will try to disrupt them," says one army officer.

There are also lingering doubts as to whether the communist world will turn up. North Korea has campaigned to persuade China, the Soviet Union and its allies to stay away. However, it is a battle that Pyongyang looks increasingly likely to lose.

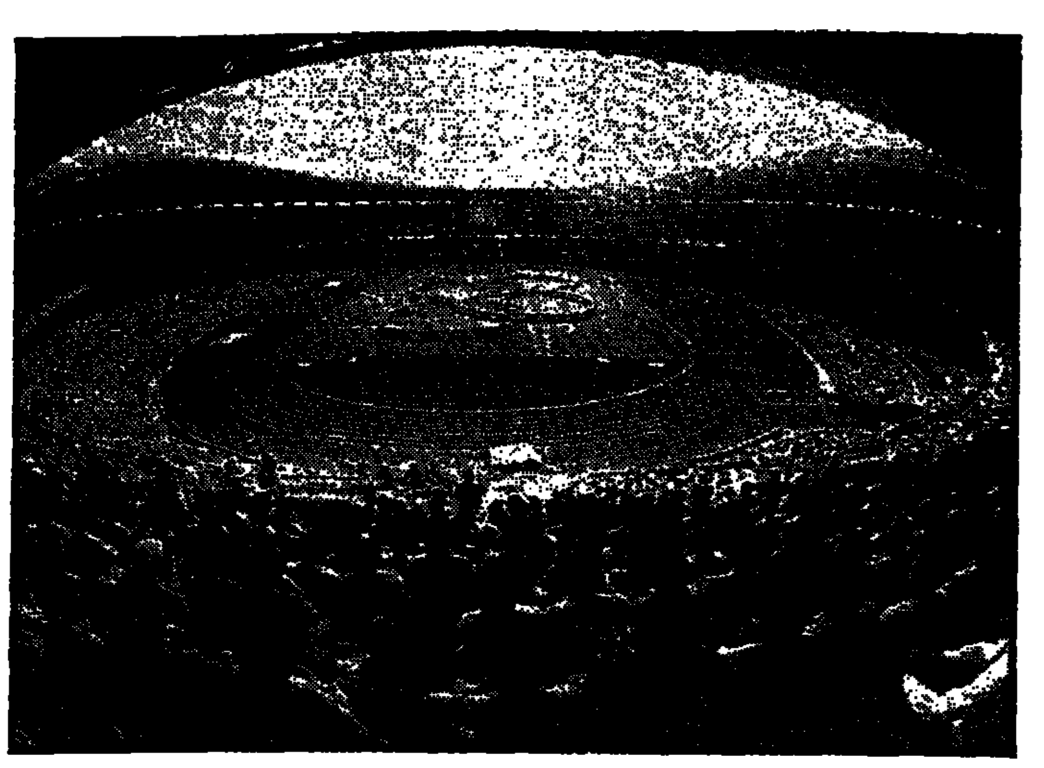
East Germany has stated its intention to attend and there have been a growing number of sports exchanges between Seoul and Peking over the past year. Moscow seems to have given up its campaign to change the venue and in March sent 12 skating champions to Seoul—the first visit by its sport figures.

What is not in doubt is South Korea's ability to plan, build and organise an event on such a grand scale. Work on the country's biggest project is, as expected for a country that has taken the construction world by storm, running ahead of schedule.

The public and private sector are pouring $3bn into facilities which will provide 32 sports venues, double the size of the underground railway system, quadruple the country's telecommunications facilities and triple Seoul's supply of hotel rooms.

The centrepiece of the games, the 100,000-seat main stadium, was opened last year. Coca-Cola is understood to have agreed to pay $15m-$20m and Eastman Kodak $10m-$15m to be official sponsors of the Olympics and the 1986 Asian Games, also due to be held in Seoul.

Richard Cowper



The symbol of the 1988 Seoul Olympics (left) and the main stadium, holding 100,000 people, when it was opened last year

Exercise in good taste

MANY OF the inhabitants of Seoul have not been amused by some of the more outlandish zealotry inspired by Korea's Olympic spirit. Civil servants are now supposed to do daily exercises to improve their health—in the Government's words to "create an atheltic climate" in time for the games.

Fearful of foreign sensitivities, the Government has also introduced a ban on the sale of traditional Korean dishes containing dog, snake or earthworm, in spite of their revered stamina-creating properties.

What is needed, say officials, is the development of "new traditional" Korean dishes more acceptable to the Western palate.

Liberated grannies and honeymoon heaven

A FEW years ago, Newsweek magazine listed Cheju Island, 60 miles off Korea's southern coast, as one of the great undiscovered tourist destinations. No hotels and busloads of tourists spoilt the natural beauty of this island, whose volcanic peak rises some 6,400 feet up a gentle slope from the sea.

Most of the island's 704 sq miles are covered by pasture and forest, with farms sectioned by neat stone fences of porous black basalt. The slopes lead to dramatic cliffs and waterfalls, to sand beaches or to clear blue water.

In 1985, much to the consternation of local tourism officials, Cheju is still largely undiscovered by most of the world. The Government, not one to take these things lying down, is going to do something to nudge the world along. In February it adopted a master plan calling for 1.3 trillion won ($1.5bn) of investment in the island over the next five years, with 397bn won of that earmarked for tourist facilities.

The plan is suitably grand for Korea, though even this is a retreat from earlier notions of turning the island into the Hong Kong of north-east Asia, with a duty-free port, high-tech electronics assembly and off-shore banking. The Government went so far as to commission Bechtel to conduct a feasibility study.

Commonsense finally showed that the island's remoteness and lack of development might not give it the best prerequisites to become an international trade centre. Some government officials were quietly pushing to scrap any development plans, and it is hard to blame them. Development would mean people, pollution and clutter — the lack of which are the attractions of Cheju.

The island is not completely undiscovered. It is honeymoon heaven in Korea, the destination of 70 to 80 per cent of newlyweds, according to one local official's estimate.

About 1.34m Korean tourists visited the island last year. Aside from starry-eyed couples wandering up remote mountain trails, it is a popular destination for large tour groups of halmoni — grandmothers in Korean.

Old age for Korean women produces a liberation strictly denied them in younger years, and economic development has given them the means to travel. They take the ferries from Pusan or Mokpo and turn their excursions into an orgy of drinking, singing, and dancing that can be a shock if your image of Korean women has been formed by the deferential and dainty hotel staff that most foreigners have contact with.

Tourism: Cheju

STEVEN BUTLER

Even some Koreans are shocked by the old women, who have recently been criticised in the press for their unruliness.

Most Korean work habits are hard on the economics of tourism. Koreans work six days a week for most of the year and take short vacations from mid-July to mid-August only, when all the popular vacation spots are filled past capacity.

For the rest of the year, hotel occupancy in places like Cheju hovers around 20 to 30 per cent. The Cheju Grand Hotel, one of the island's first-class establishments, was recently sold after accumulating large losses.

The island's authorities are also angling after the international tourist. "We want dollars," one official says.

This year the Government expects about 60,000 foreign arrivals, and it hopes to double that by 1991. Most are Japanese who come to the island for hunting—pheasant in the winter and for young Korean girls all year. It is a stopover for the famous Japanese sex tours.

As part of the plan to lure foreigners, Hyatt hotel opened recently in a resort on the southern part of the island. The hotel, which looks like a scooped-out pineapple with windows, is up to international luxury resort standards. Officials hope that Hyatt's international reputation and booking facilities will help make the island a four-season resort.

The hotel is staffed with what appear to be recent graduates of hotel schools and they have applied typical Korean diligence to their duties. You can hardly turn around in the hotel without hearing a cheerful: "Have a nice day!" After each bowl of soup, each croissant, each cup of coffee or roll, the restaurant staff will smile and say with quiet assurance: "Enjoy!"

There are still some problems to be worked out—like finding sensible explanations why cab drivers insist on being paid at least double what their meter reads, or not using the meter at all.

In late April the hotel was fairly sparsely populated, partly with a group of bored expatriate wives from Seoul who came to play bridge for a week.

One said: "There isn't a lot to see here, but at least you can see it all."

Prodigy on brink of adulthood

CONTINUED FROM PAGE 1

maturity. As the infant wonder grows up, its economic talents are starting to provoke jealous hostility from other nations.

Its productivity is becoming a threat to inefficient industries in the U.S., Europe and Japan, as well as a source of envy for other developing countries.

The spectacular growth of exports, which has averaged 18 per cent a year in real terms since 1970 and shows few signs of flagging, is breeding resentment instead of admiration. Barriers against exports of steel, electronics and machinery are rising alongside the familiar restraints on textiles, clothing and footwear. Even where there are no barriers, industrialised nations are asking themselves whether Korea needs or deserves the special privileges which are accorded to weaker developing countries, under the Generalised System of Preferences, for example.

As these external threats build up against Korea's formula of export-led growth its methods of internal economic management are also being called into question. Outsiders, particularly U.S. officials, whose predecessors might have marvelled at the triumphs of "the Korean model," are now decrying the concentration of industrial structure, rigid regulation of financial markets, widespread protectionism, detailed central planning and pervasive government intervention.

It is partly in response that the banks have been privatised and the financial markets are being opened. The planners' power may still be enormous but now it is a power to be exercised coyly—to cope with disasters, like last year's collapse of the nation's sixth largest company, the Kukje Group.

It is no longer considered the Government's duty to chart the strategic course for Korean industry years, or even decades, ahead.

Similarly, the great conglomerate trading houses, or chaebol, which have been largely responsible for Korea's industrialisation, are becoming unpopular. Nine of them, led by Hyundai, Daewoo, Samsung and Lucky-Goldstar, accounted for 51.3 per cent of the country's exports in 1983.

The Government is determined to cut the chaebol down to size. It aims to unravel what officials call the "octopus legs" of their diverse activities—which often stretch from shipbuilding to pharmaceuticals and food retailing — forcing each group to concentrate on a smaller range of industries and leave a greater share of economic activities in the hands of smaller companies.

The collapse of Kukje and the growth of worldwide protectionism have intensified the Government's conviction that the Korean economy needs to become more flexible and less focused on the sort of heavy industrial products in which the chaebol enjoy a natural advantage.

External and theoretical pressures have not been the only motivations for the Government's liberalisation and decentralisation. The growing complexity and maturity of the domestic economy has been the most important factor.

The new freer-market philosophy came into prominence from 1981 after the previous year's debacle when GNP declined for the first time in the post-1962 "miracle" period. The shift took place with few personnel changes and with little ideological ferment of the kind seen in the early 1980s, as other nations wholeheartedly embraced "market forces."

In Korea economic philosophy appears to be a matter not of ideology or theory but of what the Americans call "can-do" pragmatism. The planners recognise only two goals. "To make sure the economy grows at its full long-term potential and to create an adequate distribution of welfare," as one planner puts it.

According to the semi-official Korean Development Institute, this potential growth rate is currently 7.5 per cent and will stay between 7 and 8 per cent until the year 2000.

In spite of protectionism, maturing industries and competition from lower-cost producers like China and India, these growth rates can and will be achieved, Korean planners confidently assert.

"If our present approach fails, we will try other methods," says one senior official, who has been in the forefront of the current moves towards economic liberalisation.

Perhaps Korean politicians, as well as economists, can show that sort of flexibility. If they do, Korea's first 20 years as an advanced industrial country may be as successful as its last 20 years of membership in the Third World.